SUPREME COURT OF THE UNITED STATES

October Term, 1967

No. 86

UNITED STATES, APPELLANT,

vs.

THIRD NATIONAL BANK IN NASHVILLE, ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF TENNESSEE

Volume IV

INDEX

In United States District Court

Defendant's Exhibit No. 1

Affidavit

State of Tennessee,
County of Davidson:

The undersigned, W. S. Hackworth, having first been duly sworn, deposes and says:

1. That he is and has been for more than eight years the duly elected and serving President of Nashville Bank and Trust Company.

2. That he and members of his staff compiled the information pertaining to Nashville Bank and Trust Company contained in the application to merge the said Bank into the Third National Bank in Nashville, and which application was filed with the Comptroller of the Currency.

3. That all of the information and all of the facts contained in the said application to merge and pertaining to the Nashville Bank and Trust Company are true, and if based upon opinion or belief, he verily believes them to be true.

4. That on or about June 16, 1964, he wrote a letter addressed to the Comptroller of the Currency which was filed as supplementary material to be considered along with the said application to merge. All the facts and information contained in that letter are true and all opinions and beliefs contained therein are verily believed to be true. Copy of said letter is attached hereto and made a part hereof as Exhibit "A" to this affidavit.

5. That in his opinion irreparable harm will result to Nashville Bank and Trust Company and its employees if the proposed merger with Third National Bank in Nashville is not completed. Many of the reasons why this irreparable harm will result are set forth in the application and in the above letter attached hereto as an exhibit. In addition to these reasons, affiant mentions the following to be especially considered:

(a) The Chairman of the Board of Nashville Bank and Trust Company resigned shortly after H. G. Hill

Company sold its stock in said Bank, stating he desired to devote his full time to H. G. Hill Company.

(b) Affiant's present age is 68 years and he desires to retire within the next two years.

(c) Since the application for merger was filed and since affiant wrote his letter above exhibited, his health has become impaired. He is under the care of three physicians and he daily visits one of these physicians for treatments each morning.

(d) The average age of the other officers of Nashville Bank and Trust Company is high.

(e) So long as the pending merger is in prospect and at the same time in litigation, it is practically impossible for the merging bank to attract new officers or new officer material. There is even increased and grave difficulty in retaining some of Nashville Bank and Trust Company's key personnel to whom attractive offers from other banks have been made and other such offers may be anticipated.

(f) Nashville Bank and Trust Company is not a sufficiently large bank to have managerial depth. Every chief executive of a corporation, including especially a bank in a metropolitan area, wants and attempts to have not only an able and experienced officer in every important position, but also to have an able and trained person prepared to take over if the key officer be removed from his position by promotion, resignation or otherwise. It is difficult for a relatively small bank to handle this problem at best, and it is one impossible of handling when uncertainty hangs over the merging bank.

(g) It is practically impossible for a merging bank to compete successfully for new business while the merger is pending, and it would be an even worse state of competition to attempt the same while the merger was under temporary injunction. Even normal attrition of deposits and loans, unless counterbalanced by successful solicitation of new business, will cause a bank operating under handicaps as does Nashville Bank and Trust Company, to decline and retrogress.

(h) Nashville Bank and Trust Company has lacked and now lacks the resources to attract and to hold a

sufficient number of young and aggressive officer personnel to compete effectively.

(i) Modern banking in a metropolitan area requires automation in order to be successful and to meet competition. The cost of automation for a bank the size of Nashville Bank and Trust Company is virtually prohibitive because only a larger bank renders economical and practicable the substantial outlay of funds necessary for automation. Nashville Bank and Trust Company at the present time is not sufficiently large to justify automation, and affiant does not believe it can become sufficiently large by prospects of growth in the reasonably foreseeable future.

(j) Nashville Bank and Trust Company has only one small branch bank. The difficulties of obtaining additional locations and the original cost of the same, plus maintenance cost during the period when such new branch cannot be expected to be remunerative, render it impractical if not impossible for Nashville Bank and Trust Company to establish such additional branches with the resources now available to it or reasonably foreseeable.

(k) As an added complication upon the question of retention of present key personnel, or the addition of new and capable personnel, is the fact that the Nashville Bank and Trust Company only recently, in 1961, adopted any kind of a pension plan, this particular plan only providing that certain benefits to retired employees were to be paid out of current earnings. This plan is totally unfunded and the cost of funding on an actuarially sound basis would be very expensive and would represent a heavy charge against future earnings.

Also, it is a fact that the general employee welfare fringe benefit provisions have been recognized to be inadequate for some time.

6. The earnings of Nashville Bank and Trust Company in the immediate past have been satisfactory. However, if the Nashville Bank and Trust Company made the expenditures necessary to bring it into a position to compete successfully and substantially in the Nashville area bank-

ing industry, such as additional branch banks, increased salary scale, automation, funded pension plan, employee welfare benefits and other related modern banking methods and procedures which have come to be necessary in order to render adequate and modern service to the public, it is certain that its pattern of satisfactory earnings could not be maintained and such earnings might very well disappear.

7. The facts and reasons above stated, coupled with others specified in affiant's letter attached as an exhibit hereto, are the bases for affiant's statement that the merger of Nashville Bank and Trust Company into the Third National Bank in Nashville is a business necessity.

8. In addition, in the opinion of affiant, this merger is not only in the best interest of Nashville Bank and Trust Company as a business necessity, but also is in the public interest in the area of affording modern banking services which would be truly competitive in the Nashville area and in the regional area served by the Nashville banks, which could not be accomplished by Nashville Bank and Trust Company separately.

9. In the opinion of affiant, if this merger is prevented, the future of the Bank is speculative and the group of persons owning the majority of its stock may sell the same to other persons without banking experience or to nonresidents, and in either event the result would be most harmful to this bank, its employees, its customers and would also be detrimental to the Nashville community.

Executed this 13th day of August, 1964.

W. S. Hackworth.

Sworn to and subscribed before me, on this the 13th day of August 1964.

Josephine H. McGinness, Notary Public.

My commission expires: 5-5-68

Exhibit A to Affidavit

June 16, 1964.

Mr. James J. Saxon
Comptroller of Currency
United States Treasury Department
Washington, D. C.

Dear Sir:

I have been requested to state the reason why I consider the merger of the Nashville Bank and Trust Company into the Third National Bank in Nashville to be a business necessity.

While the Nashville Bank and Trust Company has enjoyed a measure of success during the last eight years, it is operating under severe handicaps. To understand the difficulties, one must be aware of the intensely competitive situation that exists among the banks in Nashville. To illustrate: the management of the Nashville Bank and Trust Company a few years ago recognized that, with the large number of existing branch banks, it was essential to its welfare to establish a number of its own throughout the heavily populated suburban districts of Davidson County. For a branch bank to succeed, you have to first secure a good location. That is most difficult due to the fact that the larger banks now have the county covered with 45 banking offices. Without a proportionate number of such facilities, the Nashville Bank and Trust Company is doomed to reach a plateau and probably start backward as more and more people transact their business in the suburban areas and seldom come to the central part of the city. The bank has a splendid and convenient parking garage which was constructed at a large cost and it has helped us to hold a part of our business. But our best friends tell us very frankly that they would like to bank with us but simply are not going to fight the traffic in and out of the city in order to do so. I could name at least a hundred of our friends who feel this way and other officers of this bank have encountered the same experience. Statements from three of them are attached, marked "Exhibit No. 1.". I consider the lack of these branches as the No. 1 handicap of the Nashville Bank and Trust Company and it can best be overcome

through a merger with the Third National Bank, which has 14 branches, as the merger will enable us to furnish our friends with convenient banking offices at 17 locations, counting the main offices. There is not only the question of the initial cost of establishing new branches, but it is a known fact that such branches operate at a loss several years while waiting to grow large enough to break even. We simply do not have the resources and manpower to do this on a scale sufficiently large to make ourselves competitive.

When the Hill interests sold the controlling stock of the Nashville Bank and Trust Company to the Weaver Group in January of this year, the morale of the officers and employes of this bank was considerably disturbed. The uncertain future upset practically everyone. Doubt as to whether the Weaver Group would move in or sell and, if it sold, to whom, was not a climate that would inspire the best efforts of employes and officers, and most certainly would make difficult the attraction of new personnel. To illustrate the personnel problem and the severe competitive situation during this time, I should like to give one outstanding example, namely, Mr. K. O. Primm, who in 1956 was a clerk in the Trust Department of this bank. Soon after becoming president, I recognized that he had ability beyond his assignments and that he was especially gifted in public relations and in securing new business. He was assigned to our Business Development Department, made an Assistant Vice President, and later a Vice President. During the time of the negotiations with the Weaver Group, the First American National Bank offered him a position as Vice President at a salary which we could not meet without disrupting our entire officers' salary structure. Although no one can be censured for accepting a higher salaried position, there is little doubt that the First American, the largest bank in Nashville, hired him for the purpose of taking business away from our smaller bank. Mr. Primm was an effective solicitor and, since he was familiar with the Nashville Bank and Trust Company's accounts, he has made considerable headway in moving accounts to the First American National Bank.

With further reference to the competitive problem, several weeks after selling the controlling stock of the H. G. Hill Company to the Weaver Group, Mr. H. G. Hill, Jr.,

President, and Mr. L. P. Thweatt, Executive Vice President of the H. G. Hill Company, resigned from the Board of Directors of this bank, and this further gave our competitors an excuse for soliciting large food and related food accounts which had long been doing business with this bank because of the Hill Company.

Among the younger personnel, many banks are attempting to hire them at higher salaries than we are paying. They are no doubt remaining on the job awaiting the outcome of the merger so that they can more accurately gauge their future.

In the face of the resignation of the directors and the departure of Mr. Primm, we were confronted with concerted efforts on the part of the First American National Bank and the Commerce Union Bank, both of which sent out teams of officers to call on our customers and entice them away from us. These competitors have told our customers that we literally cannot compete for a fair share of the banking business in Nashville, using such arguments that their banks could give customers larger lines of credit and even questioning whether our present lines to them could be continued. We have worked to overcome these adverse influences in every way, but we have lost many valuable customers. A check of our accounts since the proposed merger was announced shows that we lost 84 substantial accounts totaling $682,000.00. In addition to these losses, 63 large accounts were surveyed and show a decrease in average balances in the amount of $1,800,000.00. It is natural to assume that some of this will return, but we know a substantial part is a result of firms splitting their bank accounts.

In our Trust Department, we have also felt the effect of our competitors' activities, as evidenced by Exhibit No. 3 attached hereto.

Third National Bank has assured all Nashville Bank and Trust Company employes of equitable treatment, which has been especially helpful in enabling us to hold our employes. A schedule, showing a breakdown of our officers' ages, titles and salaries is attached to this letter, marked "Exhibit No. 2." We have lacked the resources to attract and hold a sufficient number of young and aggressive officer personnel needed in order for the bank to effectively compete. This is particularly true in that we are not large

enough to offer training programs for young college graduates interested in the banking profession.

Judging from the above, there is no doubt that the best interests of the public and all concerned would result from the merger of the banks and, for this reason, it is my opinion that the merger should not be long delayed. If it is, it will tend to further create doubt and apprehension in the minds of depositors, borrowers, employes and the public. Naturally we would struggle to overcome these problems, but the harm resulting from the failure of the merger is not likely to be repaired for a long, long time, if at all.

Yours very truly, ——, ——, President

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT NO. 7

Nashville, Tennessee.
April 25th, 1964.

Mr. D. W. Johnston, Chairman of the Board,
Third National Bank,
Nashville, Tennessee.

Dear Mr. Johnston:

Inasmuch as I am not vested with facts which relate to the proposed merger between Third National Bank and Nashville Bank & Trust Company, the aspects which are obvious as determined by observation during my six years as Superintendent of Banks will be expressed.

The competitive factor in my opinion will not be lessened by the merger. This assumption is based on the evident competition which now and will exist between existing First American National Bank, largest Nashville bank, The Commerce Union Bank, in third position, and Third National Bank, second in size, the surviving institution of the merger between themselves and Nashville Bank & Trust Company which holds a minor position in the field insofar as competition is concerned.

The factor which would favor the merger in my opinion to the greatest extent would be the added capacity to serve Greater Nashville and adjoining area with efficiency and knowhow in the areas of operation being conducted by each, which joined can be much more effective.

Yours Very Truly, M. A. Bryan.

Stapled to page 95 of all copies of applic.

In United States District Court

Defendant's Exhibit No. 8

Certificate for Certified Copy

Office of Comptroller of the Currency, ss:

I, Thomas G. DeShazo, Deputy Comptroller of the Currency, do hereby certify that the document hereto attached is a true and complete copy, as recorded in this Office, of the Decision of Comptroller of the Currency James J. Saxon on the Application to Merge Third National Bank in Nashville, Nashville, Tennessee, and Nashville Bank and Trust Company, Nashville, Tennessee, dated August 4, 1964.

In Testimony Whereof, I have hereunto subscribed my name and caused the seal of Office of the Comptroller of the Currency to be affixed to these presents at the Treasury Department, in the City of Washington and District of Columbia, this 12th day of August, A.D. 1964.

Thomas G. DeShazo, Deputy Comptroller of the Currency.

[Seal]

Comptroller of the Currency
UNITED STATES TREASURY
Washington, D. C. 20220

Decision of Comptroller of the Currency James J. Saxon on the Application to Merge Third National Bank in Nashville, Nashville, Tennessee, and Nashville Bank and Trust Company, Nashville, Tennessee.

Statement

On April 27, 1964, the $341.7 million Third National Bank in Nashville, Nashville, Tennessee, and the $45.9 million Nashville Bank and Trust Company, Nashville, Tennessee, applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Nashville, in the heart of the TVA service area, is the state capital of Tennessee. With an estimated metropolitan population in excess of 400,000 persons, reflecting a 24% increase since 1950, Nashville's population growth compares most favorably with the 5% increase of population of the neighboring state of Alabama, Kentucky, Mississippi and the rest of Tennessee, which Nashville serves. The city is the focal point of a community constituting eight counties whose residents are dependent upon Nashville for such necessities as shopping, employment and medical care. Its wholesale trade area stretches across middle Tennessee into southern Kentucky, northern Alabama and northern Mississippi and contains an estimated population of 2,265,800 persons. This area, which bridges the North and South of our country, enjoys a diversified economy dependent on agriculture, industry and commerce. The growth of this economy has been spurred by the availability of abundant and cheap electric power from TVA, and by such U.S. Government installations as Redstone Arsenal at Huntsville, Alabama, and the Arnold Development Center at Tullahoma, Tennessee. The availability of low-cost labor, cheap power, excellent transportation facilities by air, highway and rail, gas and petroleum pipe lines, and an abundant water supply favors Nashville's role as a center of the burgeoning mid-South.

The charter bank, founded in 1927, has grown, through capable and aggressive management, into a system having 14

branch offices. It is particularly active in the correspondent banking field and now has a substantial number of correspondent banks, most of which are located within a radius of 250 miles. Within this region it competes vigorously with the large banks in northeastern Georgia, northern Alabama, western North Carolina, Kentucky and Tennessee, although holding only 3.13% of total regional loans and deposits. Within the Nashville wholesale trade area, which covers middle Tennessee, southern Kentucky, northern Mississippi and northern Alabama, the charter bank's share of total bank loans and deposits is but 12.5%. In the Nashville community, which consists of the city and eight surrounding counties, the charter bank holds about 29.7% of deposits while its closest competitors, the $393.3 million First American National Bank, Nashville, and the $217.4 million Commerce Union Bank, Nashville, hold 34.9% and 18.1% of deposits, respectively.

The merging bank, chartered in 1889 as a trust company, passed through a merger and reorganization and emerged in 1956 with its present title. In 1959 the bank opened its first and only branch. Prior to January 1964, it was controlled by a wholesale grocery firm, which sold its stock in the merging bank to a syndicate controlled by insurance interests. The new owners soon found that injection of a substantial amount of capital and effort would be required both to make the bank a competitor in the Nashville area and a profitable undertaking for the owners. Having no desire to divert their attention from the insurance field and being unwilling to put large sums into the bank, these interests gave consideration to the merger route for a solution. They were prompted in part by the fact that, during the period since assuming control, deposits in the merging bank declined from $45.4 million to $39.6 million, despite an increase of $1.1 million in public fund deposits. By contrast, deposits in the other three banks in the city rose sharply after 1960 and continued to rise. Many of the merging bank's customers, who previously felt obligated to maintain deposits in the bank because of their business connections with the previous owners, the wholesale grocery firm, indicated that they were then free to move their accounts to larger banks. Additionally, the change of ownership resulted in a substantial loss of accounts in the bank's trust department.

One of the most determinative factors in the consideration of this merger is the problem of management succession. This Office has stated time and again that a bank is only as good as its management. In the case of the merging bank, the president is ill and anxious to retire. Further, there is no provision for succession. The dearth of young management personnel and the unlikelihood of attracting new employees to the merging bank is due to the below-average salary scale and the lack of an adequate pension plan. The present owners of the bank show no intention of instituting costly reforms to attract employees capable of making the bank a vigorous competitor, responsive to the needs of the community. As a result, the merging bank is presently non-competitive. Only through merger with the charter bank, where the resulting bank will be a National Bank, will this Office have an opportunity to assist this non-competitive state-chartered institution as well as the people of the Nashville community. We would, indeed, be derelict in our responsibilities to protect the public interest in banking were we to impede effective management from assuming the responsibilities of a declining and leaderless merging bank.

We turn now to the future earnings prospects of the applicant banks, another criterion established by law in the consideration of bank mergers. The future earnings prospects of the merging bank, in its present condition, are very gloomy. The recent substantial decline in deposits and the phlegmatic and incapacitated management bode ill for future earnings of the bank unless remedial steps are taken. If merger is the remedy, however, as we are convinced it is, the future earnings prospects of the resulting bank are excellent because of the dynamic management, existing branching system and operating efficiency of the charter bank.

Only minimal competition exists between the two applicant banks due to difference in size and to diversity of market interests. As stated above, the charter bank serves numerous correspondent banks throughout its region. These correspondent banks' deposits account for 18.7% of the charter bank's deposits, as compared to the merging bank's correspondent deposits which amount to only 1.2% of the merging bank's deposits. Commercial loans make up 40% of the charter bank's total loans, but only 25.7% of the

merging bank's total loans. Further contrast can be seen in the fact that, while real estate loans account for only 0.8% of the charter bank's loans, such loans constitute 34% of the merging bank's loans.

While the cold statistics presented by the application may indicate at first blush that some competition now exists between the applicants and that it will be eliminated by this merger, closer analysis of the complete picture dispels this hasty conclusion. A bank's competitive force in its community depends greatly upon the attitude of its management and board of directors. To assess accurately competition between two banks, an effort must be made to weigh the aggressiveness, the capability, the experience and the desire of the management of each to compete. When, as in this case, we find that the management of the merging bank is more interested in insurance than in banking, has no desire to maintain the bank's relative standing in the banking community, and has made no effort to improve its internal operating procedures nor elevate the morale of its personnel through better salaries and an improved pension plan, we cannot realistically view it as a competitive bank. When a bank, such as the merging bank, is not disposed to compete, it is idle to speak of the elimination of competition by reason of a merger.

The hallmark of modern banking is branch competition. The inability of the merging bank to effectively serve the public is graphically illustrated in its failure to develop a modern branching system despite the fact that it was founded in 1889. With the three largest banks in Nashville having 20, 15, and 20 offices, respectively, it is manifest that Nashville Bank and Trust Company, with a single branch, cannot compete in the important area of branching.

The competition for funds in the Nashville community is not confined to commercial banks. It must be noted that savings and loan associations are particularly strong competitors. While competition is most desirable and indeed a basic tenet of the American economic system, the advantages to savings and loan associations arising from higher permissible interest and dividend rates, as well as tax privileges not available to commercial banks, make a difficult competitive situation for the banks. This fact is reflected in the 325% increase in savings and loan share accounts in the Nashville community since 1953 and the opening of three

new savings and loan association branches during the past year. There is certainly a need for a stronger institution to compete for funds in such a market.

There is no tendency toward monopoly in the Nashville area or community. The charter bank has never been involved in a merger since its founding in 1927; its rapid growth has been internal. The number of Nashville banks has not declined during the past 30 years. Indeed, a relatively new bank, the Capital City Bank, which was chartered in 1960, now has almost $7.5 million in resources and two branches. There is hardly a monopoly when a new bank can enter the market and prosper so remarkably in such a short time.

One of the best qualified authorities on banking in Tennessee has recognized the fact that the merger will be a salutary development. In a letter of April 25, 1964, Mr. M. A. Bryan, Superintendent of Banks, State of Tennessee, said of the proposed merger:

> The competitive factor in my opinion will not be lessened by the merger. This assumption is based on the evident competition which now and will exist between existing First American National Bank, largest Nashville bank, the Commerce Union Bank, in third position, and Third National Bank, second in size, the surviving institution of the merger between themselves and Nashville Bank and Trust Company which holds a minor position in the field insofar as competition is concerned.

Consummation of the proposed merger will improve the charter bank's ability to serve the convenience and needs of the Nashville public. It will be better able to meet the credit needs of its larger customers throughout the Nashville wholesale trade area. Automation will improve the operating efficiency for the benefit of the merging bank's customers. Increased salaries and other incentives such as the charter bank's pension plan will improve the morale of the merging bank's personnel. The more numerous banking services offered through the resulting bank's extensive branch system will better serve the needs of the merging bank's customers. Further, the assets of the merging bank will be pooled with those of the charter bank to be used

more efficiently in promoting the economic well-being of the people of the Nashville community, the wholesale trade area which it serves, and the mid-South region of which it is the center.

In the light of all of the facts and circumstances here present, we are compelled to conclude that this merger application has met the statutory criteria and will promote the public interest. The application is therefore approved.

James J. Saxon, Comptroller of the Currency.

Dated: August 4, 1964

IN UNITED STATES DISTRICT COURT

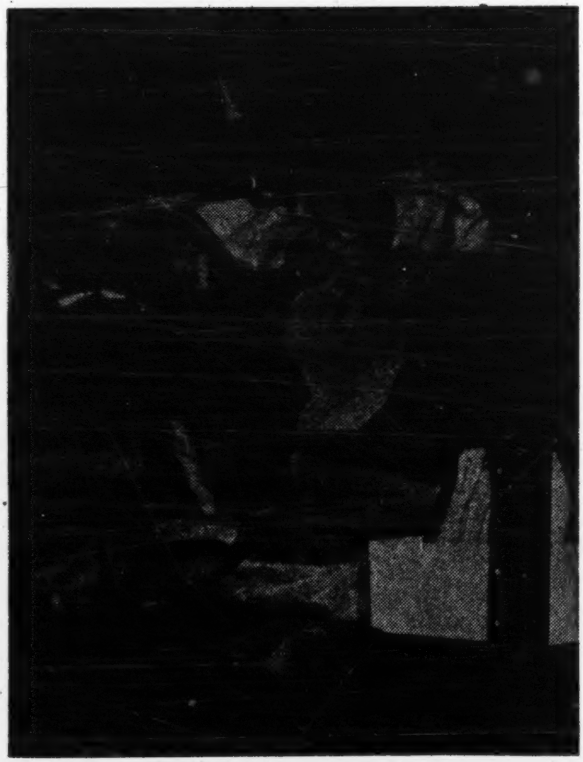
DEFENDANT'S EXHIBIT NO. 9

Savings Batch Sheets, Christmas Savings Payments and Cards, Finance Payments, Miscellaneous Correspondence

Pictures Taken 4-28-65 at 10:30 A.M. in the Basement of the Nashville Bank and Trust Office—Photographer—George E. Bivins, Jr.—Witness—Sam F. Farrar

Finance Payments, Savings Batch Sheets, Some Savings Checks, Savings Pass Books, Savings Machine Tapes, Christmas Savings Payments and Cards, Finance Correspondence

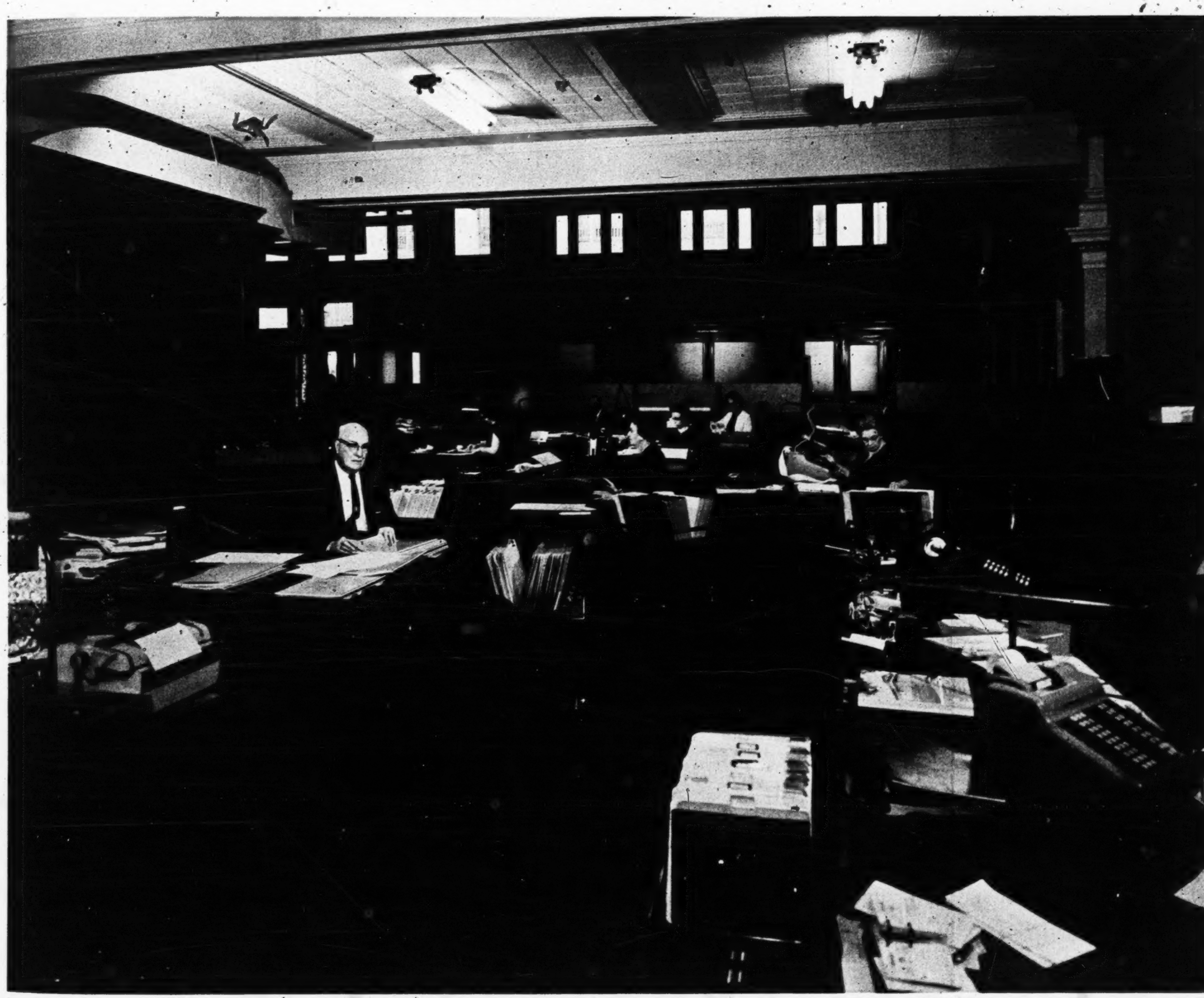
Savings Batch Sheets, Machine Tapes, Pass Books



Savings Batch Sheets and Miscellaneous Correspondence

In United States District Court

Defendant's Exhibit No. 12



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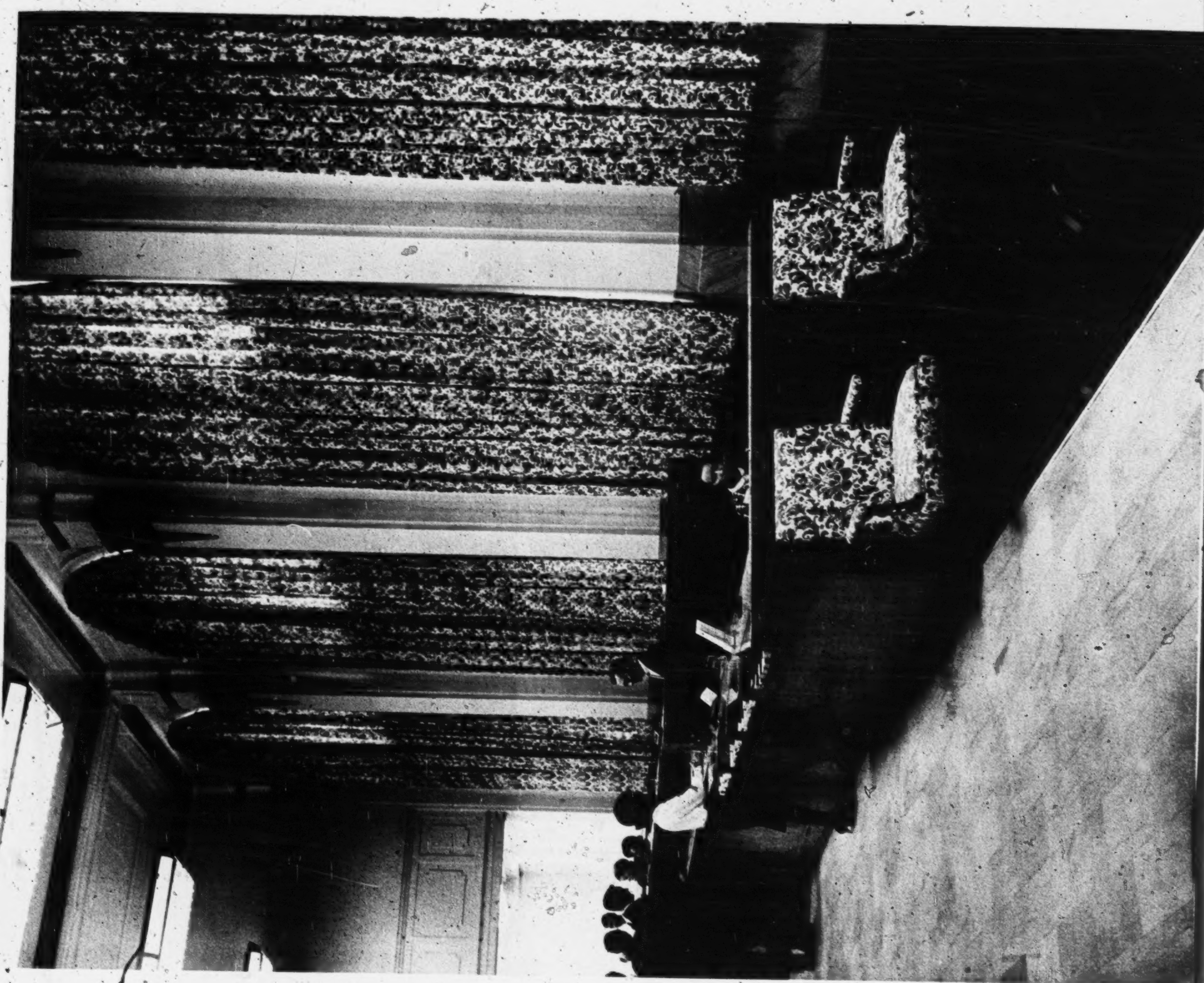
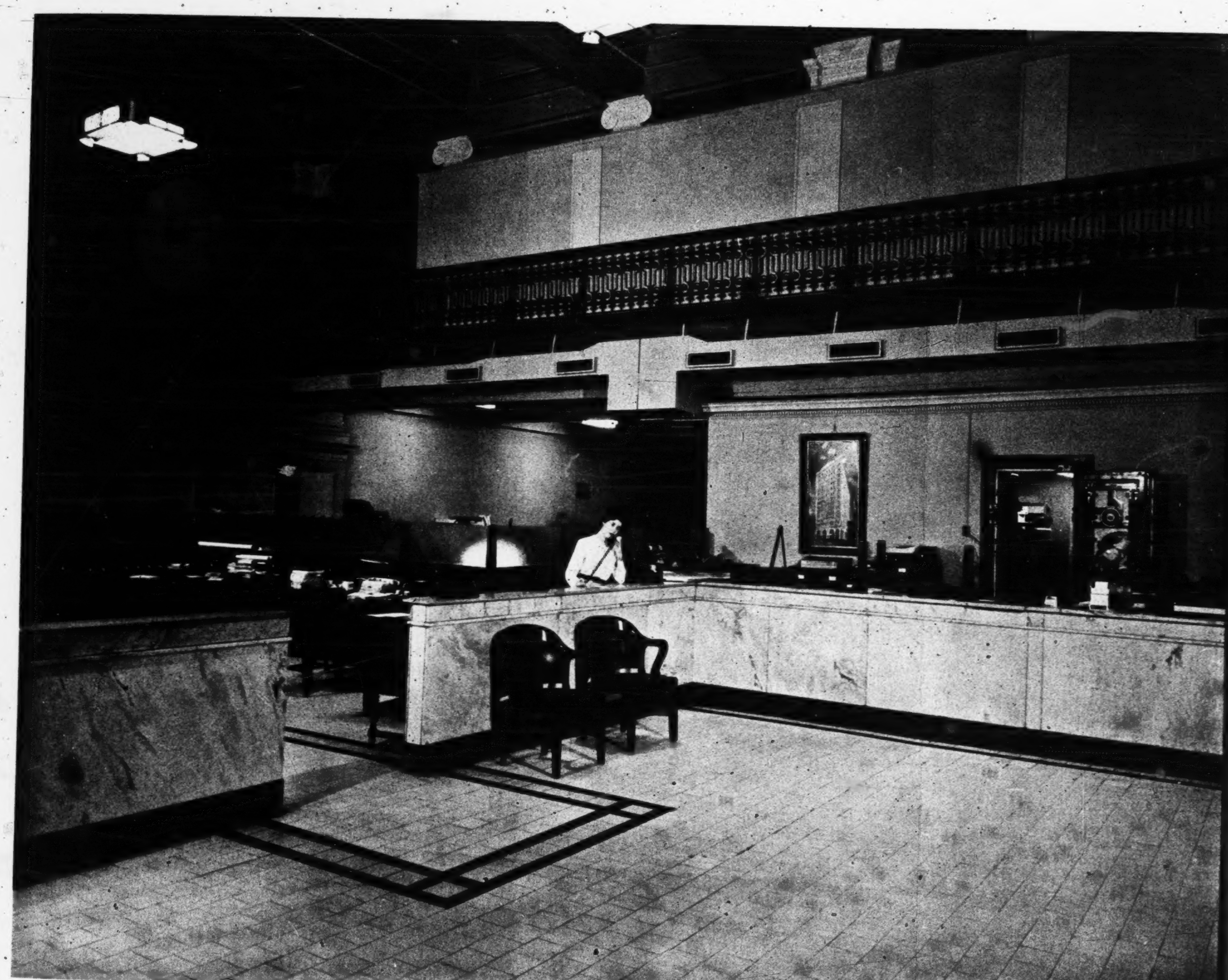




IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT NO. 14

March 25, 1966

Memorandum to Charles Cook

The following information reflects our experience with our parking garage:

Bank validated tickets for 12 months preceding merger	56,338
Bank validated tickets for 12 months following merger	40,919
Difference (27+% off)	15,419
Bank validated tickets for calendar year 1964	52,517
Bank validated tickets for calendar year 1965	36,493
Difference (Off 30%)	16,024

Overton Thompson.

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT No. 15

ORGANIZATIONAL CHART
NASHVILLE BANK & TRUST COMPANY
As of January 1, 1964

DIRECTORS

J. E. Bouchard - 52
Neman Cheek - 68
M. S. Wiggington-63
Robert S. Cheek -86

J. L. Bevington - 66
F. S. Hannon - 69
J. W. Jakes - 83

Resigned:
H. G. Hill, Jr. - 63
L. P. Thweatt - 69
T. G. Hall - 83

Deceased:
W. S. Hackworth - 68
Dr. O. A. Oliver -76
R. H. Godwin - 58

EXECUTIVE & TRUST COMMITTEE

* W. S. Hackworth - 68
Newman Cheek - 68
R. S. Cheek - 86

**H. G. Hill, Jr. - 63
**L. P. Thweatt - 69

CHAIRMAN OF THE BOARD
**H.G. Hill, Jr. - 63

PRESIDENT
*W. S. Hackworth - 68

BANKING DEPARTMENT	MORTGAGE DEPARTMENT	AUDITOR-COMPTROLLER	NEW BUS. DEPT.	REAL EST.DEPT.	TRUST DEPT.
***F. B. Young - V.P. - 65 (Department Head)	***A. H. Thomas - V.P. - 75 (Department Head)	E. C. Duke - Audit. - 72 (Department Head)	H. C. Buquo-V.P.-59 (Department Head)	*E.K.Brush-V.P.-66	F.S.Parker-VP-& T.O. -59
H. G. Aldred - V.P. - 59	J. D. Williams - V. P. - 57	H. K. Carney - Asst. Aud. - 57	**K.O. Primm-V.P.-46		Overton Thompson VP & TO - 48
J. R. Mathis - A.V.P. - 39					M.W.Sory-Secy. Treas.-61
G. H. Noel - A.V.P. - 62					H.F. Cheek-Asst. Treas.- 30
Malcolm Puckett - A.V.P. - 42					S.R. Brumfield-Asst.T.O-38
J. B. Hardcastle - Asst. Sec. - 28					***C.L.Haston - Asst.T.O.-32
J. B. Yokley - Asst. Treas. - 25					

* Deceased   **Resigned Prior to Merger
*** Resigned or Retired After Merger

In United States District Court

Defendant's Exhibit No. 16

Analysis of the Records of the Probate Court for Davidson for the Calendar Year 1963

1. Number of Executorships probated in 1963 (including Administrator cta)	528
2. Number of Intestate estates qualification in 1963	343
Total	871

3. Bank appointments	Wills	Adm.	Agent	Total
Third National Bank	14	2	3	19
Nashville Bk & Trust	7	2	1	10
First Amer. Natl. Bank	21	6	1	28
Commerce Union Bank	6	1	0	7
Other (Whites Creek and Citizens & Savings)	3	2	0	5
Total	51	13	5	69

69/871 = 7.9%

of the 69 appointments	Third National Bank got	28%	42%
	Nashville Bk & Trust	14%	
	First Amer Natl Bank	41%	
	Commerce Union Bank	10%	
	Other	7%	
		100%	

Prepared under the supervision of C. J. Harrison, Trust Officer, Third National Bank

	Over $10,000	Under $10,000	Actual Bond	
Third National Bank	14	2	10,000.00 20,000.00 35,000.00	3
First American National Bank	16	5	19,000.00 14,000.00 50,000.00 200,000.00 30,000.00 130,000.00 20,000.00	7
Commerce Union Bank	3	1	40,000.00 25,000.00 90,000.00	3
Nashville Bank and Trust Co.	3	5	21,000.00 30,000.00	2
Other	1	2	10,000.00 10,000.00	2

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT No. 17

Analysis of the Records of the Probate Court for Davidson for the Calendar Year 1964

1. Number of Executorships probated in 1964 (including Administrator cta) 621
2. Number of Intestate estates qualification in 1964.................... 351

Total.. 972

3. Bank Appointments	Wills	Adm.	Agent	Total
Third National Bank...............	17	2	5	24
Nashville Bk & Trust...............	19	4	2	25
First Amer. Natl. Bank.............	32	6	3	41
Commerce Union Bank...............	6	1	0	7
Other (Whites Creek and Citizens & Savings)........................	0	0	0	0
Total........................	74	13	10	97

97/972 = 9.98%

of the 97 appointments			
	Third National Bank got	25%	51%
	Nashville Bk & Trust	26%	
	First Amer Natl Bank	42%	
	Commerce Union Bank	7%	
	Other	0	
		100%	

Prepared under the supervision of C. J. Harrison, Trust Officer, Third National Bank

	Over $10,000	Under $10,000	Actual Bond	
Third National Bank	16	3	120,000.00	5
			25,000.00	
			50,000.00	
			54,000.00	
			60,000.00	
First American National Bank	25	8	15,000.00	8
			25,000.00	
			50,000.00	
			20,000.00	
			44,000.00	
			200,000.00	
			200,000.00	
			14,000.00	
Commerce Union Bank	4	1	50,000.00	2
			30,000.00	
Nashville Bank and Trust Co.	14	7	15,000.00	4
			15,000.00	
			14,000.00	
			15,000.00	
Other	None	None	None	

In United States District Court

Defendant's Exhibit No. 18

Analysis of the Records of the Probate Court for Davidson for the Calendar Year 1965

1. Number of Executorships probated in 1965 (including Administrator cta)	614
2. Number of Intestate estates qualification in 1965	370
Total	984

3. Bank Appointments	Wills	Adm.	Agent	Total
Third National Bank	20	3	1	24
Nashville Bk & Trust	12	1	1	14
First Amer. Natl. Bank	29	2	2	33
Commerce Union Bank	8	1	0	9
Other (Whites Creek and Citizens & Savings)	1	0	0	1
Total	70	7	4	81

81/984 = 8.2%

of the 81 appointments			
	Third National Bank got	30%	47%
	Nashville Bk & Trust	17%	
	First Amer Natl Bank	41%	
	Commerce Union Bank	11%	
	Other	1%	
		100%	

Prepared under the supervision of C. J. Harrison, Trust Officer, Third National Bank

	Over $10,000	Under $10,000	Actual Bond	
Third National Bank	7	12	25,000.00	5
			10,000.00	
			50,000.00	
			26,000.00	
			38,000.00	
First American National Bank	8	20	23,000.00	5
			25,000.00	
			20,000.00	
			15,000.00	
			100,000.00	
Commerce Union Bank	2	7	—	
Nashville Bank and Trust Co.	3	9	20,000.00	2
			15,000.00	
Other	1	—	—	

In United States District Court

Defendant's Exhibit No. 27

Balances of Correspondent Bank Deposits Maintained with Third National Bank in Nashville as of March 12, 1964 and March 14, 1966

March 12, 1964	**$57,154,490.35**
March 14, 1966	**$63,993,533.47**

Source: General Ledger of Third National Bank

Compiled by: Carson Carlisle

Total Loans and Participations Sold by Third National Bank in Nashville to Correspondent Banks as of March 12, 1964 and March 14, 1966

March 12, 1964	**$17,495,601.76**
March 14, 1966	**$16,363,178.07**

Source: Loan and Discount Department, Third National Bank

Compiled by: Carson Carlisle

In United States District Court

Defendant's Exhibit No. 28

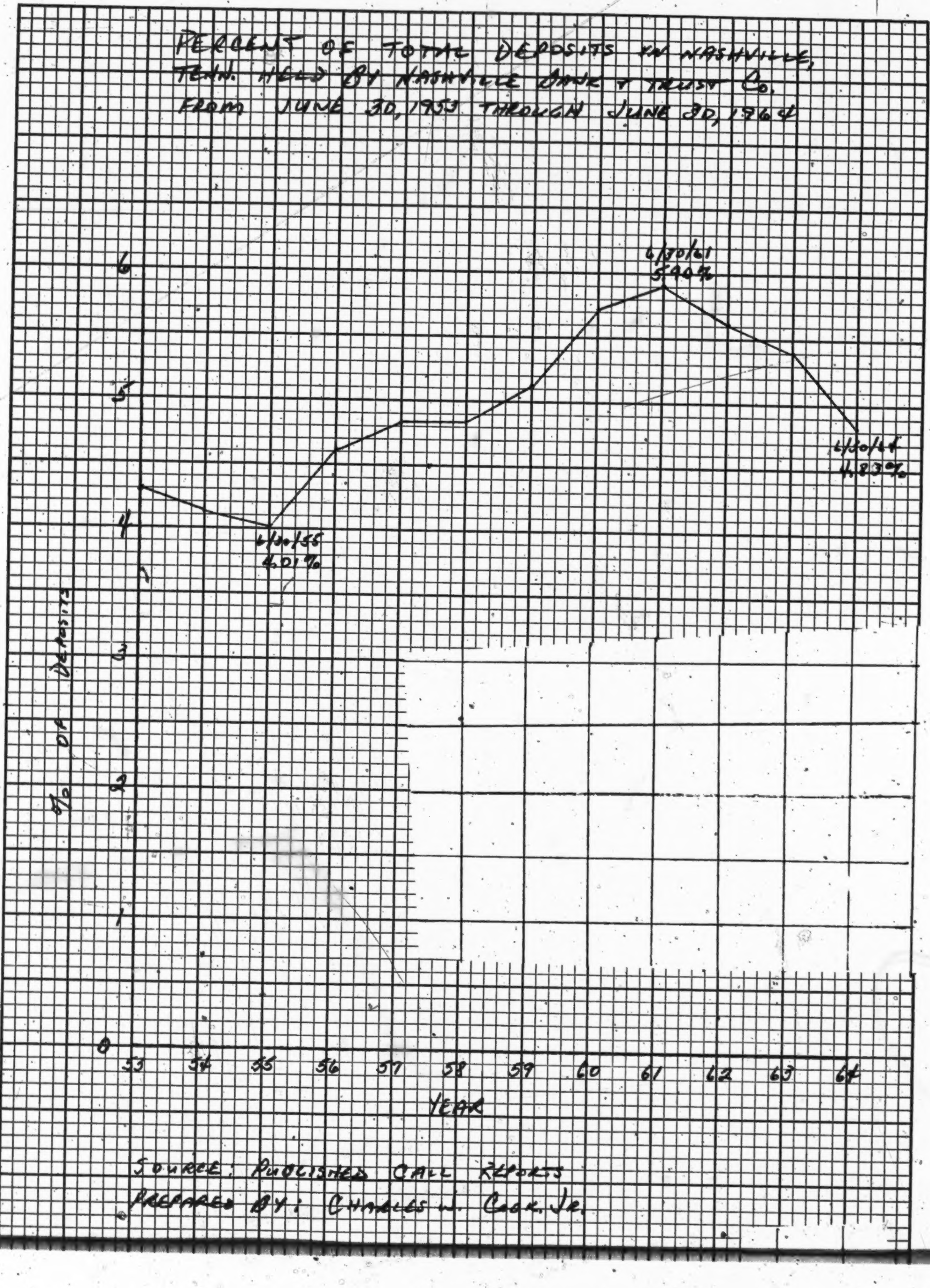
Compilation Re Shareholders of Third National Bank and National Bank & Trust Company

Date	Total Shareholders Third National Bank	Largest Shareholder Third National Bank	Total Shareholders Nashville Bank & Trust Co.	Largest Shareholder Nashville Bank & Trust Co.
Aug. 1, 1964	1,521	5.8%		
Aug. 18, 1964			106	24.5%
Mar. 16, 1966	1,825	2.7%		

Compiled by Carson Carlisle from Stockbook of the Third National Bank

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT No. 29



In United States District Court

Defendant's Exhibit No. 31

Fringe Benefit Comparison

	Third National Bank		Nashville Bank and Trust	
	Amount 1965	Percentage	Amount 1963	Percentage
Total Salary	$3,661,198.56	100.0%	$497,724.01	100.0%
Fringe Benefits				
* Vacations, Rest periods, etc.	451,654.46	12.3	61,419.14	12.3
Statutory Payments				
(Social Security, Workman's Comp., Unemployment Ins., etc.)	168,495.74	4.6	25,321.09	5.1
Misc.				
(AIB, Graduate Schools, etc.) Estimated	6,900.00	.2	1,000.00	.2
Bonus	288,785.68	7.9	25,674.94	5.2
Retirement	382,489.75	10.5	—	0.0
Insurance (Life and Hospitalization)	96.111.00	2.6	17,867.34	3.6
Total Fringe	$1,394,436.63	38.1%	$131,282.51	26.4%
Total Salary and Fringe	$4,603,980.73	125.8%	$567,587.38	114.1%

* Included in Payroll

Prepared under the supervision of George E. Bivins, Jr., Vice President, Third National Bank

Comments to the Fringe Benefit Survey

Vacations, Rest Periods, Etc.

TNB—Computed from the absence report.
NB&T—Similar vacation schedule, rest periods, etc. were in effect; consequently, the same percentage of payroll was used.

Statutory Payments

TNB—Actual figures from books of the bank.
NB&T—Actual figures from books of the bank.

Miscellaneous

TNB—Estimated figures for AIB and graduate schools.
NB&T—Estimated figures for AIB and graduate schools.

Bonus, Retirement, and Insurance

TNB—From the actual records of the bank.
NB&T—From the actual records of the bank.

Nashville Bank and Trust Salary and Fringe Benefit Data

Salary Increase Summary
(All figures are computed on a monthly basis)

Salary January 1, 1964		$39,750.03
Salary Increases (Current Payroll)	$6,499.08	
Salary Increases to Resigned and Deceased Employees	833.88	
Total Salary Increases	$7,332.96	

Salaries have increased 18.4%

Fringe Summary

Fringe Cost January 1, 1964 ($39,750.03 times 14.1%)	$ 5,604.75
Fringe Cost March 1, 1966 ($46,249.11 times 25.8%)	$11,932.27

Fringe Increase of $6,327.52

In United States District Court

Defendant's Exhibit No. 32

Examples of Typical Loan Commitments Made Through Correspondent Bank Department of Third National Bank

Athens, Alabama 9-15-65	—Cotton merchant and gin operator —High credit of $900,000. Money used to purchase cotton from the local growers in North Alabama. Employment unknown.
Cullman, Alabama 6-9-65	—Large chicken grower, processor —completely integrated operation. High credit of $600,000. Money used to enable this industry, which is the largest single industry in Cullman County, to process 100,000 chickens per day, creating income for several hundred growers and other related endeavors. Employment unknown.
Florence, Alabama 12-13-65	—State college—Approved line of $2,000,000—To construct additional educational facilities, eliminating the necessity of applying for Government grants.
Huntsville, Alabama 1-29-65	—Engineering company—High credit of $2,400,000—Money used to complete Government contracts in the Missile Program. This company is the largest single private employer in the city. Employs 3,600.
Horse Cave, Kentucky 12-13-65	—Tobacco warehouseman—High credit of $250,000—Money used to purchase tobacco during the sales. Employment unknown.

Madisonville, Kentucky 11-19-65	—Coal mining operation—High credit of $620,000—Money used to purchase coal lease and equipment, selling primarily in Chicago market—Employs approximately 40 people.
Owensboro, Kentucky 10-19-64	—Large construction company—High credit of $1,700,000—Money used to purchase new drag-line used in road construction throughout several southeastern states. Employment unknown.
Princeton, Kentucky 5-2-66	—Hosiery manufacturing company—High credit of $800,000—Money used for working capital—Employs around 300 people.
Russellville, Kentucky 11-2-65	—Civic Center—High credit of $483,200. Money used to add to the Rockwell Manufacturing plant, which is Russellville's largest industry.
Corinth, Mississippi 3-16-66	—Road construction company—High credit of $150,000.00—To provide monies for completion of contracts on road construction principally in northeastern Mississippi. Employment unknown.
Tupelo, Mississippi 1-28-66	—Wholesale grocer—High credit of $210,000—To provide working capital to carry inventory. Employs approximately 75.
Athens, Tennessee 1-6-66	—Oil distributor—High credit of $30,225.00.
Athens, Tennessee April, 1966	—We are participating in a note with the banks pending a bond issue for McMinn County—one and one-half million dollars.
Athens, Tennessee 11-19-65	—Implement Company—High credit of $94,000. Money used to construct building for new business and to carry inventory. Employs 56.

Bristol, Tennessee 1-21-65	—Construction company—High credit of $125,000. Money used to construct roads in upper East Tennessee.
Carthage, Tennessee	—Shirt company—handling receivables monthly from $100,000.00 to $150,000.00.
Chattanooga, Tennessee 11-19-65	—Shopping Center—Credit of $1,687,500.00 used in construction shopping center.
Clarksville, Tennessee	—Packing company—participating with the local banks in credit up to two and one-half million dollars.
Clarksville, Tennessee April, 1966	—Shopping Center—High credit of one million dollars approved. Money will be used to construct Center.
Cookeville, Tennessee 11-19-65	—Shopping Center—High credit of $490,000. Money used to construct first modern shopping center in this area.
Dickson, Tennessee April, 1966	—Have agreed to participate with the local bank in an area development loan—$250,000.00.
Eagleville, Tennessee 11-19-65	—Feed, seed and fertilizer dealer. High credit of $10,000. Money used to carry inventory and this is a very significant business in this small community.
Fayetteville, Tennessee 11-19-65	—Dairyman—High credit of $25,000—Money used in operation of two dairies, enabling this dairyman to provide Grade A milk in a three county area.
Franklin, Tennessee 3-28-66	—Automobile agency—High credit of $60,000. Money used to expand.
Greeneville, Tennessee 11-19-65	—Tobacco merchant—High credit of $1,750,000. Money used to purchase tobacco in Tennessee, the Carolinas and Virginia. Employment unknown.

Jackson, Tennessee 11-19-65	—Motel—High credit of $222,000. Money used to provide an ultra modern motel for this area.
Knoxville, Tennessee April, 1966	—Have agreed to participate with the banks in a loan to the City of Knoxville pending a Sewer Bond issue—$500,000.00.
Shelbyville, Tennessee April, 1966	—Have agreed to participate with the local bank in a loan of one-half million dollars for a building to be occupied by Lockheed.
Springfield, Tennessee 11-19-65	—Church at Greenbrier—High credit of $25,000—Money used to construct annex.
Union City, Tennessee 6-24-63	—Wholesale electrical and plumbing distributor—High credit of $125,000. Money used to carry inventory. Employs 25.
Union City, Tennessee	—Packing company—participating with the local banks in credit up to two and one-half million dollars.
White Bluff, Tennessee April, 1966	—Have agreed to participate with the bank in a loan of $450,000.00 in an area development program.
Yorkville, Tennessee 6-29-65	—Cotton ginner—High credit of $25,000.00—Money used to provide working capital for gin operation. This loan means a great deal to this small community.

Prepared under the supervision of Thomas Butts, Vice President.

In United States District Court

Defendant's Exhibit No. 34

Growth of Total Assets of Commercial Banks in Davidson County, Tennessee
June 1956 to June 1960, and June 1960 to June 1964

Name of Bank	June 1956	June 1960	June 1964	Percentage Gain 1956-1960 (First Period)	Percentage Gain 1960-1964 (Second Period)	Difference in Percentage Gain Between First and Second Period
	(In thousands of dollars)					
Third National	$191,061	$238,792	$ 357,111	24.98%	49.55%	+24.57%
Nashville Bank and Trust	28,844	42,272	50,863	46.55%	20.32%	−26.23%
First American National	232,837	283,866	407,248	21.92%	43.46%	+21.54%
Commerce Union	127,812	153,500	225,534	20.10%	28.35%	+ 8.25%
Broadway National *	20,894	22,213	—	6.31%	—	
Capital City	—	3,673	9,073	—	147.02%	
All Other in Total	6,839	8,831	13,006	29.12%	47.23%	+18.11%
Grand Total	$608,287	$753,147	$1,062,835	23.81%	41.12%	+17.31%

* Data for Broadway National are year-end data. Broadway National merged with Commerce Union in 1962. Percentage gain for Commerce Union during 1960-1964 period includes Broadway data for 1960 in base for calculation.

Source: Exhibit 1001 of Justice Department for all banks other than Broadway National; Moody's *Banking and Finance Manual* for Broadway National.

Compiled by: Dr. Olin S. Pugh and Charles W. Cook, Jr.

In United States District Court

Defendant's Exhibit No. 35

Growth of Total Loans and Discounts of Commercial Banks in Davidson County, Tennessee
June 1956 — June 1960, and June 1960 — June 1964

Name of Bank	June 1956	June 1960	June 1964	Percentage Gain 1956-1960 (First Period)	Percentage Gain 1960-1964 (Second Period)	Difference in Percentage Gain Between First and Second Period
	(In thousands of dollars)					
Third National	$ 92,669	$129,901	$194,448	40.18%	49.69%	+ 9.51%
Nashville Bank and Trust	9,884	17,551	22,792	77.57%	29.86%	−47.71%
First American National	96,377	137,952	185,344	43.14%	34.35%	− 8.79%
Commerce Union	58,372	76,462	115–991	30.99%	33.86%	+ 2.87%
Broadway National *	8,875	10,188	—	14.79%	—	
Capital City	—	1,653	3,619	—	118.94%	
All Other	4,069	5,314	7,521	30.60%	41.53%	+10.93%
Grand Total	$270.246	$379.021	$529.715	40.25%	39.76%	− .49%

* Data for Broadway National are year-end data. Broadway National merged with Commerce Union in 1962. Percentage gain for Commerce Union during the 1960-1964 period includes data for Broadway in December, 1960 in base for calculation.

Source: Exhibit 1002 of Justice Department for all banks other than Broadway National. Moody's *Banking and Finance Manual* for Broadway National.

Compiled by: Dr. Olin S. Pugh and Charles W. Cook, Jr.

In United States District Court

Defendant's Exhibit No. 37

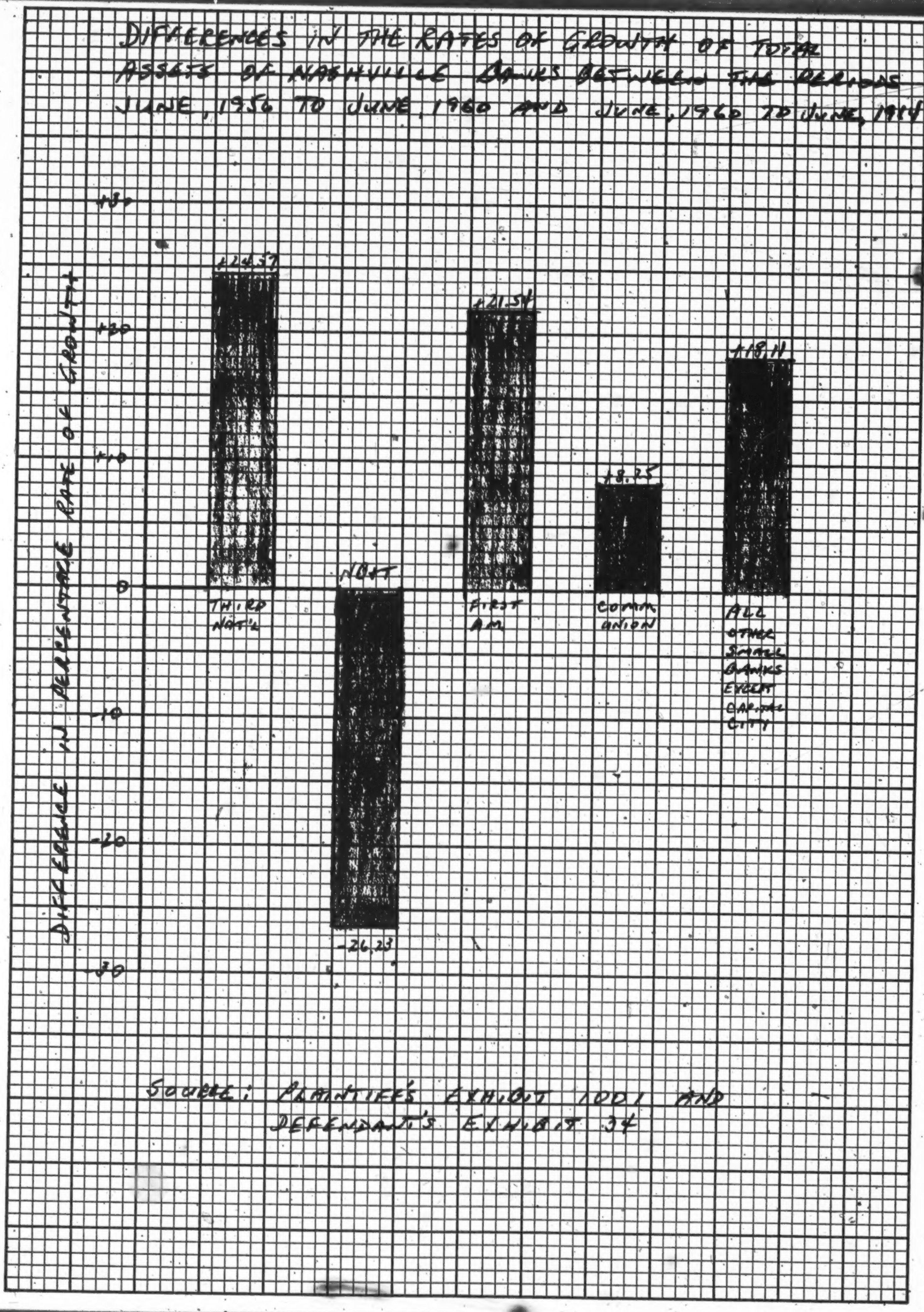
Growth of I.P.C.Demand Deposits of Commercial Banks in Davidson County, Tennessee*
June 1956 — June 1960, and June 1960 — June 1964

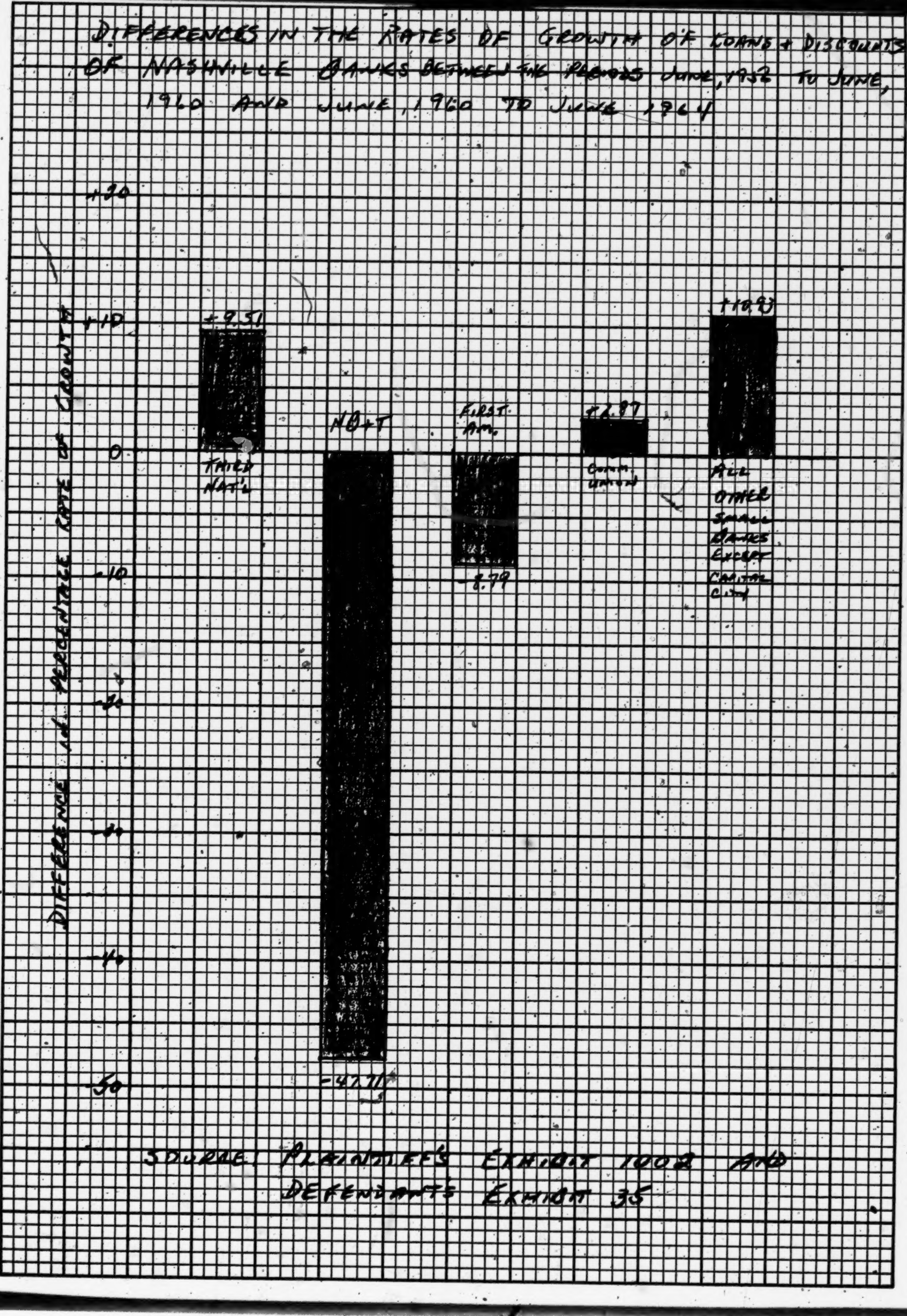
Name of Bank	June 1956	June 1960	June 1964	Percentage Gain 1956-1960 (First Period)	Percentage Gain 1960-1964 (Second Period)	Difference in Percentage Gain Between First and Second Period
	(In thousands of dollars)					
Third National	$ 64,074	$ 88,036	$103,802	37.40%	17.91%	−19.49%
Nashville Bank and Trust	12,637	19,981	18,951	58.12%	− 5.15%	−63.17%
First American National	95,518	110,621	125,345	15.81%	13.31%	− 2.50%
Commerce Union	45,591	53,602	69,451	17.73%	29.57%	+11.84%
Capital City	—	1,551	1,982	—	27.79%	
All Other	2,857	3,325	4,495	16.38%	35.19%	+18.81%
Grand Total	$220,677	$277,116	$324,026	25.58%	16.93%	− 8.65%

* Excluding Broadway National Bank No data avail ble to analyst. Percentage growth for Commerce Union during 1960-1964 includes deposits obtained through merger with Broadway National.

Source: Exhibit 1004 of Justice Department.

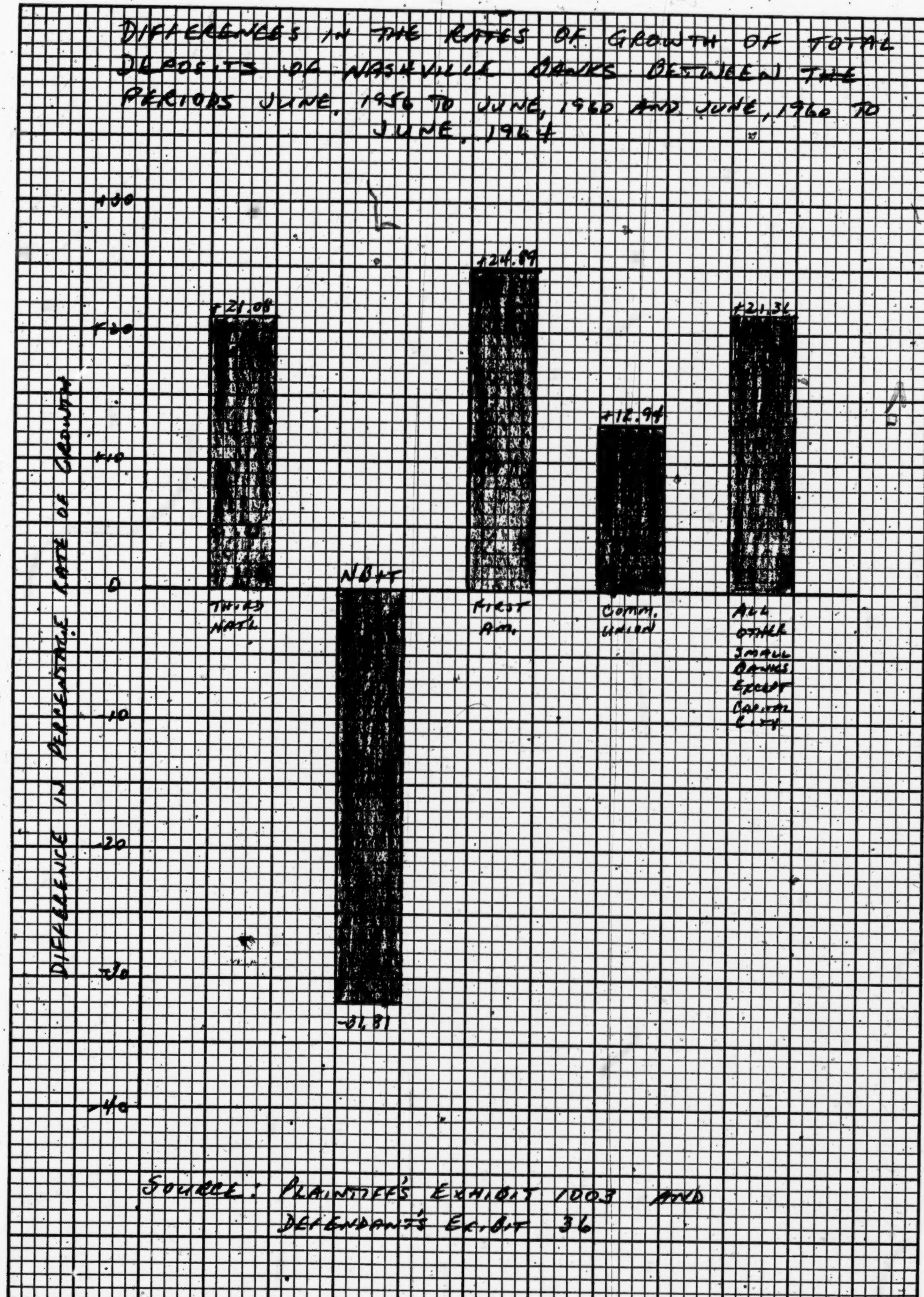
Compiled by: Dr. Olin S. Pugh and Charles W. Cook, Jr.


DIFFERENCES IN THE RATES OF GROWTH OF TOTAL ASSETS OF NASHVILLE BANKS BETWEEN THE PERIODS JUNE, 1956 TO JUNE, 1960 AND JUNE, 1960 TO JUNE, 1964
DIFFERENCE IN PERCENTAGE RATE OF GROWTH
+30
+20
+10
0
-10
-20
-30
+24.57
THIRD NAT'L
NB&T
-26.23
+21.54
FIRST AM
+8.25
COMM UNION
+18.11
ALL OTHER SMALL BANKS EXCEPT CAPITAL CITY
SOURCE: PLAINTIFF'S EXHIBIT 1001 AND DEFENDANT'S EXHIBIT 34


DIFFERENCES IN THE RATES OF GROWTH OF LOANS + DISCOUNTS
OF NASHVILLE BANKS BETWEEN THE PERIODS JUNE, 1952 TO JUNE,
1960 AND JUNE, 1960 TO JUNE, 1964
DIFFERENCE IN PERCENTAGE RATE OF GROWTH
+20
+10
0
-10
-20
-30
-40
-50
+9.51
THIRD NAT'L
NC+T
-47.71
FIRST AM.
-8.79
+2.87
COMM. UNION
+10.93
ALL OTHER SMALL BANKS EXCEPT CAPITAL CITY
SOURCE: PLAINTIFF'S EXHIBIT 1002 AND
DEFENDANTS EXHIBIT 35

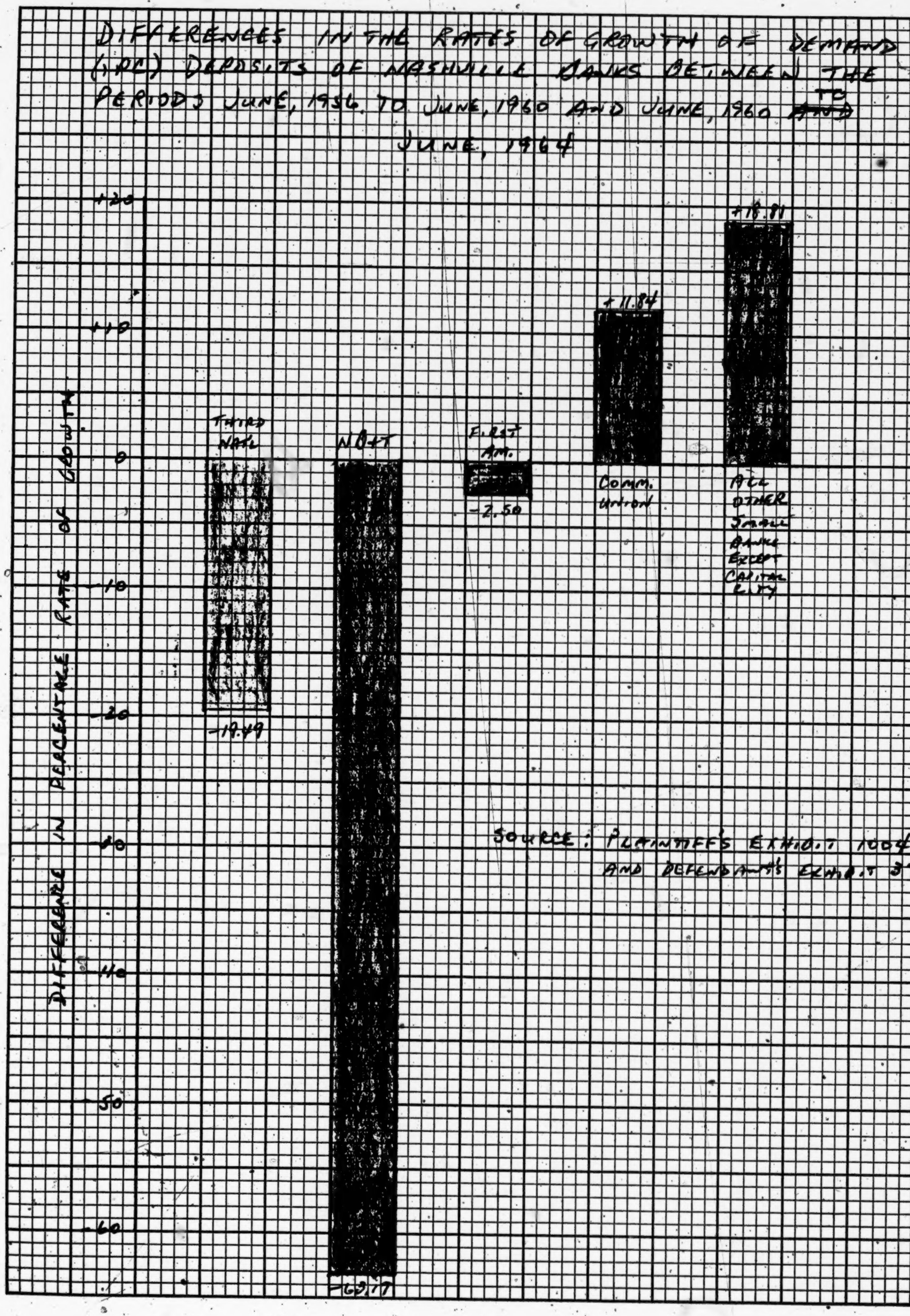
IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT No. 40



IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT No. 41



In United States District Court

Defendant's Exhibit No. 42

Loan to Deposit Ratios for the Third National Bank, Nashville Bank and Trust Company, and Davidson County, Tennessee

Date	Third National Bank	Nashville Bank and Trust Co.	Davidson County
Dec. 1955	49.06%	39.95%	47.25%
Dec. 1956	51.33%	42.22%	47.59%
Dec. 1957	51.11%	46.24%	48.49%
Dec. 1958	48.34%	46.48%	45.58%
Dec. 1959	54.18%	45.63%	50.76%
Dec. 1960	56.99%	46.36%	51.90%
Dec. 1961	50.99%	43.08%	47.15%
Dec. 1962	55.92%	45.79%	52.72%
Dec. 1963	57.62%	50.91%	53.39%
Dec. 1964	59.72%	[1]	55.69%

[1] Nashville Bank and Trust Company merged with Third National Bank, August 18, 1964.

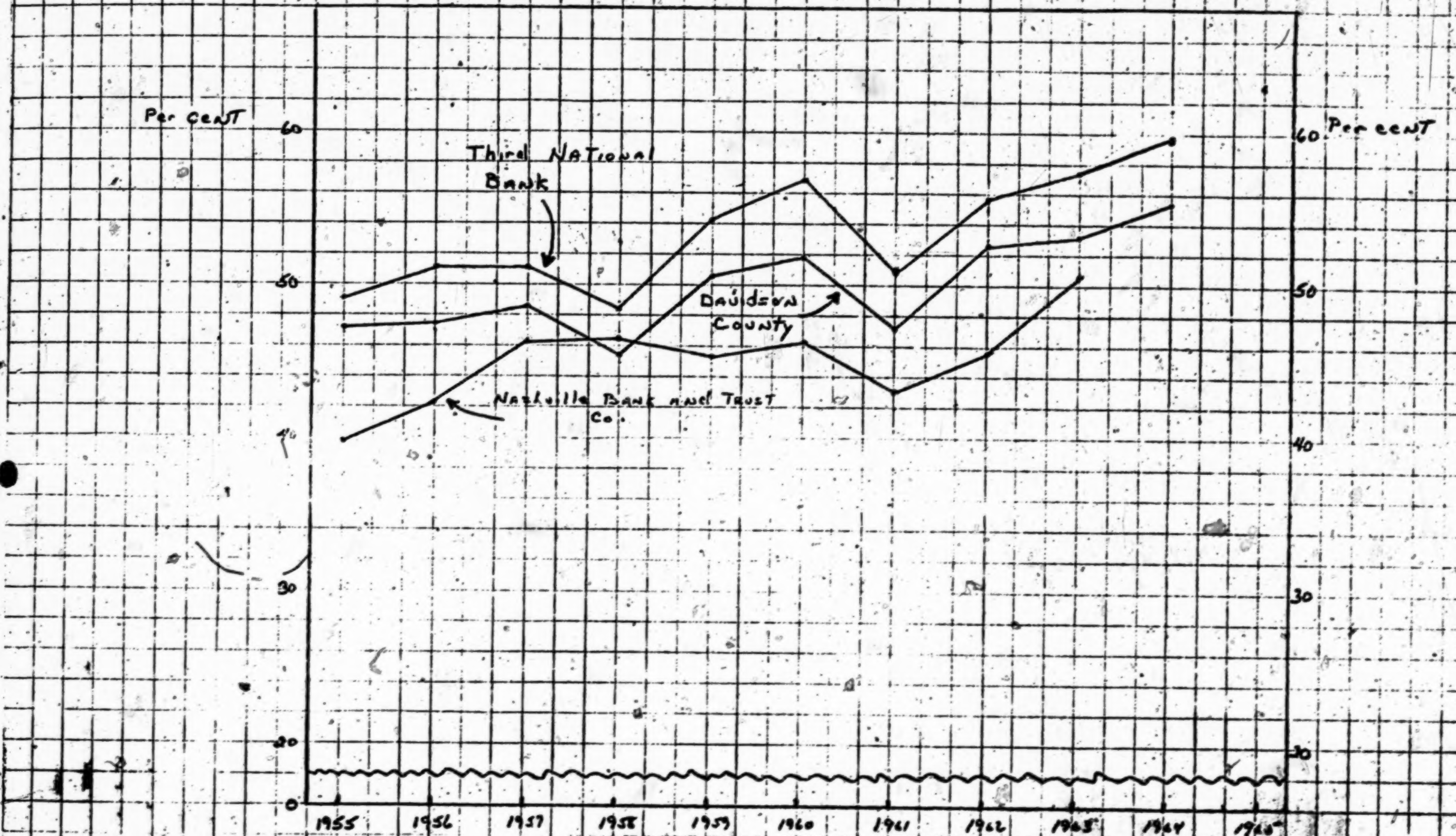
Note: Data for Broadway National Bank for the period 1955-61 was included in the total for Davidson County and was compiled from various issues of Moody's *Banking and Finance Manual*. Justice Department Exhibits 1002 and 1003 did not include data for Broadway National Bank.

Source: Department of Justice Exhibits 1002 and 1003; Various issues of Moody's *Banking and Finance Manual.*

Compiled by: Dr. Olin S. Pugh

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT No. 43



LOAN TO DEPOSIT RATIOS for the Third National Bank, Nashville Bank and Trust Co, and Davidson County Tenn, Dec. 1955-64

Source: Justice Department Exhibits 1002 and 1003 and Defendant's Exhibit 42 various issues of Moody's Banking and Finance Manual.

Note: Data for Broadway National Bank for the years 1955-61 was included in the Davidson County total and compiled from various issues of Moody's Banking and Finance Manual. Justice Department Exhibit did not include data on Broadway National Bank.

In United States District Court

Defendant's Exhibit No. 44

Organization Chart, Nashville Bank & Trust Company as of January 1, 1964

Title	Age	Length of Service	Salary As of 1/1/64 *	Salary As of 4/1/66 **
1. President	68	8 yrs.	$28,389.90	Deceased
Banking Department				
2. Vice President—Dept. Head	65	44 yrs.	$11,697.00	Retired
3. Vice President	59	44 yrs.	$10,788.75	$13,500.00
4. Assistant Vice President	39	17 yrs.	$ 7,137.90	$ 9,500.00
5. Assistant Vice President	62	33 yrs.	$ 7,949.55	$10,000.00
6. Assistant Vice President	42	7 yrs.	$ 7 154.70	$ 9,500.00
7. Assistant Secretary	28	5 yrs.	$ 5,645.85	$ 8,500.00
8. Assistant Treasurer	25	8 yrs.	$ 5,645.85	$ 8,000.00
Mortgage Department				
9. Vice President—Dept. Head	75	18 yrs.	$10,560.90	Retired
10. Vice President	57	39 yrs.	$ 9,766.05	$11,000.00
Auditor-Comptroller				
11. Auditor—Dept. Head	72	7 yrs.	$ 7,154.70	$ 7,155.00
12. Assistant Auditor	57	39 yrs.	$ 7,494.90	$ 8,000.00
New Business Department				
13. Vice President—Dept. Head	59	44 yrs.	$10,788.75	$13,500.00
14. Vice President	46	25 yrs.	$10,788.36	Resigned
Real Estate Department				
15. Vice President—Dept. Head	66	47 yrs.	$13,059.90	Deceased
Trust Department				
16. Vice President & Trust Officer Dept. Head	59	37 yrs.	$14,194.95	$18,000.00
17. Vice President & Trust Officer	48	18 yrs.	$11,923.80	$19,000.00
18. Secretary & Treasurer	61	12 yrs.	$ 9,993.90	$13,500.00
19. Assistant Treasurer	30	4 yrs.	$ 5,754.00	$ 8,500.00
20. Assistant Trust Officer	38	4 yrs.	$ 6,489.00	$ 8,000.00
21. Assistant Trust Officer	32	5 yrs.	$ 6,343.05	Resigned

* Additionally, the Board of Directors had followed the practice of paying a 5% bonus during the month of December. There was no funded pension plan.

** Additionally, the Board of Directors follows the practice of paying a 10% bonus during the month of December. Also, the Third National Bank contributes 15% of each of these salaries to the bank's funded pension plan.

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT NO. 47

FINANCE AND INSURANCE

[216] Banks and Trust Companies

The basis for the analysis for this section is based on the information received from 236 banks and trust companies. Participants include state and national commercial and savings banks, trust companies and combinations of the latter two. The Service has conducted special studies over the years, which have shown that no significant differences in compensation exist for different types of banking. Various other factors have been shown to have a much greater influence. The increased participation has again permitted a finer breakdown of compensation with eight size groups based on total assets being reported as compared with five in previous years. This makes the figures more directly applicable to a larger number of companies.

At the close of 1964, the total assets of the group were $118 billion, operating income was $5.0 billion, and net earnings were $856 million, or 17.5% of operating income. Total year-end employment was 218,086. Compensation paid by the 236 companies to 2,762 executives totaled $72.9 million. Of this total $62.7 million, or 86.1% was paid in salaries, $4.7 million, or 6.4% in bonuses, and $5.5 million or 7.5% was contributed to retirement funds.

Business and Compensation Trends

The first survey for this section was conducted in 1951. Seventeen banks participated compared with 236 this year. The continuity of the surveys is now sufficiently consistent to provide the following trend figures:

	Number	Percentage Increase Over Previous Year					
Year of Survey	Companies in Comparison	Operating Revenues	After Tax Earnings	Salaries	Bonus Payments	Retirement Contributions	Total Compensation
1961	48	15.5%	22.0%	5.9%	8.9%	6.2%	6.0%
1962	56	6.1%	2.8%	3.8%	2.2%	3.0%	3.6%
1963	59	21.9%	4.1%	4.2%	2.4%	1.6%	3.8%
1964	81	22.0%	4.3%	4.1%	7.8%	3.1%	4.1%
1965	104	17.5%	16.7%	4.2%	3.5%	2.3%	4.0%

Salary Increases

While salaries for the entire group increased 4.2%, the salaries of those who received increases were greater by 8.4%. Of the total 1,066 positions for which two years' information was available, 686 received increases, the salaries of 297 remained unchanged, and 83 showed a decrease.

[217] Bonus Payments

Of the 236 participating companies, 142 reported making payments under some form of bonus or incentive plan, excluding profit sharing retirement plans. These companies paid $4.7 million to 1,773 executives who received $40.5 million in salaries. Thus, bonus payments to this group were 11.5% of the salaries of executives who received them. By position, these payments were in proportion to salary as follows:

Position	Bonus as a Percentage of Salary
Chairman	11.5%
President	11.9%
Executive Vice President	11.4%
Operating Vice President	10.5%
Senior Investment Officer	10.3%
Commerical Credit Officer	10.2%
All Other Positions	10.0%

Retirement Funds

Contributions to retirement funds were reported by 194 of the 236 companies for the benefit of 2,375 executives. These contributions totaled $5.5 million, or 10.1% of the $54.5 million salaries paid to the executives in the plans. The corresponding figure in last year's Report was 10.3%.

Directors' Fees

Reports on directors' fees were received from 159 companies. The number of directors ranged from eight to 40 with a median of 20. In one bank with 18 directors, all were also officers. In the other banks, outside directors numbered from eight to 36, who are paid meeting fees at rates of from $20 to $450, with one each at $10 and $15, seven at $20, six at $25, 10 at $30, six at $40, 36 at $50, ten at $75, 36 at $100, one at $150, seven at $200, one at $250, one at $350, and one at $450. Only two banks reported no

fees to inside directors. The others usually pay inside directors at the same rate as outside directors.

Thirty-eight banks pay outside directors annual fees, one at $250, two at $300, one each at $350 and $400, three at $500, nine at $600, one at $900, three at $1,000, six at $1,200, one at $1,500; three at $2,400, one at $3,000, one at $3,600 and one at $4,000. Three banks pay outside directors from $13,000 to $50,000 per year. While the correlation is not direct, in general, the larger banks pay the higher rates.

Average statistics for the groups with under $200 million assets are as follows:

Total Asset Groups (Millions)	Number of Companies	Average Assets (Millions)	Average Operating Income (Thousands)	Average Net Operating Income (Thousands)
I Under $25	9	$ 15.8	$1,488	$ 179
II $25 to $50	31	36.2	1,621	275
III $50 to $100	25	68.8	2,706	465
IV $100 to $200	60	140.0	6,610	1,134

Compensation of Individual Positions

Salary, bonus, pension contribution and total (in italic type) in thousands of dollars. (Since all companies may not have bonus and pension plans, averages of individual items may not add to the average total compensation shown.)

		Asset Groups (in Millions)							
		Under $25		$25 to $50		$50 to $100		$100 to $200	
Chairman	Salary	20.0		18.8		32.5		35.3	
	Bonus	.0	*21.5*	2.5	*21.7*	3.0	*36.7*	3.2	*41.2*
	Pension	1.5		2.6		3.1		3.8	
President	Salary	21.7		29.4		34.5		44.0	
	Bonus	1.9	*23.3*	4.1	*34.3*	3.7	*40.5*	4.8	*50.8*
	Pension	1.9		2.6		3.2		4.4	
Executive Vice President	Salary	18.1		20.6		24.9		31.3	
	Bonus	1.5	*19.5*	3.2	*24.3*	2.8	*29.1*	3.2	*35.7*
	Pension	2.0		1.9		2.3		2.8	
Top Senior Vice President	Salary	13.4		15.7		19.7		23.5	
	Bonus	1.0	*14.9*	1.8	*17.8*	2.3	*22.7*	2.6	*24.4*
	Pension	1.1		1.5		2.0		2.4	
Operating Vice President	Salary	13.7		15.5		17.1		17.7	
	Bonus	1.2	*15.4*	1.5	*17.4*	1.9	*19.5*	1.7	*20.4*
	Pension	1.4		1.1		1.7		1.9	
Senior Investment Officer	Salary	14.4		16.0		17.0		16.9	
	Bonus	1.3	*16.2*	2.0	*17.9*	2.2	*19.7*	1.6	*19.3*
	Pension	1.2		1.4		1.1		1.7	
Senior Trust Officer	Salary	11.8		14.1		16.5		18.6	
	Bonus	1.1	*13.9*	1.3	*15.9*	1.8	*18.7*	1.8	*21.4*
	Pension	1.0		1.2		1.6		1.9	
Senior Customer Relations Exec.	Salary	8.4		9.5		14.0		15.3	
	Bonus	.0	*9.0*	1.5	*10.1*	1.7	*16.3*	1.2	*17.6*
	Pension	.6		.7		1.4		1.5	

Salary, bonus, pension contribution and total (in italic type) in thousands of dollars.

		Asset Groups (in Millions)							
		Under $25		$25 to $50		$50 to $100		$100 to $200	
Senior Adversing Executive	Salary	None		10.2		11.6		12.7	
	Bonus	Reported		.9	*11.5*	2.5	*13.6*	1.4	*14.7*
	Pension			.9		1.8		1.4	
Treasurer	Salary	11.2		12.2		11.8		13.3	
	Bonus	.0	*12.0*	1.0	*14.0*	.9	*13.2*	1.4	*15.7*
	Pension	1.1		1.4		.8		1.3	
Comptroller	Salary	9.2		11.2		11.6		13.9	
	Bonus	.0	*9.9*	1.2	*12.5*	1.3	*13.5*	1.4	*14.9*
	Pension	.7		.8		1.3		1.3	
Senior Personnel Officer	Salary	Insufficient		10.3		11.3		11.7	
	Bonus	Data		1.1	*12.3*	1.2	*12.8*	.9	*13.1*
	Pension			.9		.9		1.1	
Senior Public Relations Exec.	Salary	None		11.1		13.4		14.3	
	Bonus	Reported		1.0	*12.6*	1.0	*14.8*	1.4	*16.5*
	Pension			.8		1.4		1.7	
Secretary	Salary	13.0		12.8		13.8		14.1	
	Bonus	.0	*14.0*	.6	*14.4*	1.1	*15.0*	1.6	*16.4*
	Pension	1.1		1.2		.8		1.7	
Senior Resident Councel	Salary	Insufficient		Insufficient		13.7		14.9	
	Bonus	Data		Data		1.3	*15.2*	1.7	*17.4*
	Pension					1.2		1.5	
Commercial Credit Officer	Salary	10.3		13.1		15.1		16.9	
	Bonus	.8	*11.4*	1.5	*15.0*	1.3	*17.5*	1.8	*19.5*
	Pension	.9		1.2		1.1		1.8	
Cashier	Salary	10.0		11.5		13.3		13.5	
	Bonus	1.4	*11.5*	1.6	*13.5*	1.2	*15.5*	1.4	*15.5*
	Pension	.9		1.0		1.4		1.3	
Consumer Loan Officer	Salary	9.8		10.7		11.8		14.4	
	Bonus	.0	*10.2*	1.1	*12.6*	1.3	*13.6*	1.3	*16.5*
	Pension	.6		.8		1.0		1.5	
Senior Mortage Officer	Salary	9.2		10.3		13.3		14.5	
	Bonus	.0	*10.0*	1.3	*12.0*	1.2	*14.5*	1.4	*16.4*
	Pension	.8		1.1		1.0		1.5	
Senior Auditor	Salary	None		8.9		9.7		10.2	
	Bonus	Reported		1.2	*10.5*	1.0	*11.0*	1.0	*11.6*
	Pension			.9		.8		.9	
Top Branch Office Exec.	Salary	Insufficient		10.2		12.8		13.4	
	Bonus	Data		1.1	*11.8*	2.1	*15.2*	1.2	*15.3*
	Pension			1.0		1.2		1.4	
Manager Largest Branch	Salary	8.5		9.0		11.0		12.5	
	Bonus	.0	*9.0*	1.0	*10.3*	.9	*11.9*	1.2	*14.5*
	Pension	.7		.8		.8		1.4	

[220] Banks and Trust Companies

Average statistics for the groups with over $200 million assets are as follows:

Total Asset Groups (Millions)	Number of Companies	Average Assets (Millions)	Average Operating Income (Thousands)	Average Net Operating Income (Thousands)
V $200 to $300	29	$ 240.0	$ 10,361	$ 2,363
VI $300 to $500	32	360.6	17,352	3,064
VII $500 to $1 Billion	27	694.4	29,968	4,917
VIII Over $1 Billion	22	3,068.8	126,660	21,036

Compensation of Individual Positions

Salary, bonus, pension contribution and total (in italic type) in thousands of dollars. (Since all companies may not have bonus and pension plans, averages of individual items may not add to the average total compensation shown.)

		Asset Groups (in Millions)							
		$200 to $300		$300 to $500		$500 to $1 Billion		Over $1 Billion	
Chairman	Salary	42.2		49.8		70.2		118.1	
	Bonus	6.7	*49.1*	7.0	*57.2*	8.7	*82.5*	20.1	*144.5*
	Pension	3.3		7.9		6.3		12.5	
President	Salary	53.3		60.0		75.6		115.1	
	Bonus	5.0	*59.9*	6.1	*68.4*	8.4	*86.5*	16.0	*137.6*
	Pension	4.3		5.5		7.4		12.0	
Executive Vice President	Salary	32.8		39.5		46.7		66.7	
	Bonus	5.7	*40.0*	4.4	*43.8*	4.5	*53.6*	9.9	*78.3*
	Pension	3.2		3.5		4.7		6.8	
Top Senior Vice President	Salary	25.4		29.5		41.6		47.5	
	Bonus	2.0	*28.8*	3.6	*33.6*	4.1	*47.9*	5.8	*58.2*
	Pension	2.4		2.7		3.4		5.5	
Operating Vice President	Salary	21.4		23.0		26.2		35.6	
	Bonus	1.7	*24.0*	2.4	*26.7*	2.9	*30.0*	5.2	*43.0*
	Pension	1.6		2.2		2.2		3.5	
Senior Investment Officer	Salary	17.8		19.7		25.3		39.4	
	Bonus	1.6	*20.0*	1.9	*23.5*	2.8	*29.4*	4.7	*46.7*
	Pension	1.6		1.8		2.5		3.6	
Senior Trust Officer	Salary	20.6		26.8		30.0		38.1	
	Bonus	1.8	*23.4*	2.2	*29.9*	2.9	*34.6*	3.7	*44.7*
	Pension	1.6		2.7		2.7		4.1	
Senior Customer Relations Exec.	Salary	17.5		21.2		27.2		39.2	
	Bonus	1.4	*19.5*	1.9	*24.2*	2.1	*29.5*	3.4	*45.7*
	Pension	1.2		1.7		2.0		3.9	

In United States District Court

Defendant's Exhibit No. 48

Array of Bank Service Charges for Medium-sized Personal Checking Accounts in Twenty-one Selected Southern Cities

Study by Dr. Olin S. Pugh
May 4, 1966

City	Number of Banks Included	Average Customer Charge in City
1. Atlanta	4	$ 2.91
2. New Orleans	4	2.50
3. Indianapolis	3	2.25
4. Miami	3	2.18
5. Tampa	2	1.95
6. Little Rock	2	1.95
7. Chattanooga	2	1.90
8. Birmingham	2	1.70
9. Jackson, Mississippi	1	1.65
10. Louisville	3	1.51
11. Memphis	3	1.45
12. Charlotte	3	1.42
13. Dallas	2	1.20
14. Houston	2	1.14
15. Richmond	2	1.13
16. Nashville	3	1.08
17. Knoxville	2	.96
18. Norfolk	3	.96
19. Mobile	1	.53
20. Jacksonville	3	.50
21. Shreveport	1	.40

Third National Bank No Charge

Average for all banks included $1.64

These charges have been computed on the basis of the following assumptions:

1. Average balance—$625
2. Minimum balance—$325
3. Checks written—30
4. Number of deposits—4
5. Items deposited—6
6. Float (if used)—10% of balance

Array of Bank Service Charges for Small Personal Checking Accounts in Twenty-one Selected Southern Cities

Study by Dr. Olin S. Pugh
May 4, 1966

City	Number of Banks Included	Average Customer Charge in City
1. Richmond	2	$ 2.75
2. Atlanta	4	2.40
3. Miami	3	2.30
4. New Orleans	4	2.15
5. Indianapolis	3	2.05
6. Little Rock	2	2.03
7. Tampa	2	1.95
8. Norfolk	3	1.75
9. Chattanooga	2	1.75
10. Jackson	1	1.75
11. Birmingham	2	1.70
12. Louisville	4	1.67
13. Mobile	1	1.67
14. Dallas	2	1.63
15. Charlotte	3	1.60
16. Nashville	3	1.60
17. Knoxville	2	1.55
18. Memphis	3	1.49
19. Houston	2	1.43
20. Jacksonville	3	1.25
21. Shreveport	1	1.15

Third National Bank $1.40

Average of All Banks Included 1.83

These charges have been computed on the basis of the following assumptions:

1. Average balance—$225
2. Minimum balance—$75
3. Checks written—20
4. Number of deposits—4
5. Float (if used)—10% of balance

Array of Bank Service Charges for Business Accounts in Selected Southern Cities

Study by Dr. Olin S. Pugh
May 5, 1966

City	Number of Banks Inculded	Average Customer Charge in City
1. Tampa	1	$13.59
2. Richmond	2	12.69
3. *Miami*	3	11.85
4. Jacksonville	3	11.33
5. Norfolk	3	10.68
6. Little Rock	3	10.32
7. Birmingham	2	10.29
8. Mobile	1	10.20
9. New Orleans	4	9.85
10. Louisville	3	9.69
11. Dallas	2	9.67
12. Knoxville	1	9.45
13. Atlanta	3	9.26
14. Memphis	3	8.82
15. Indianapolis	3	8.51
16. Charlotte	3	8.18
17. Jackson	1	8.08
18. Shreveport	1	7.96
19. Houston	2	7.35
20. Chattanooga	1	6.95
21. Nashville	3	6.16

Third National Bank—$5.71

Average of 48 banks—$9.59

These charges have been computed on the basis of the following assumptions

1. Average daily balance—$2,025
2. Minimum balance—$525
3. Checks written—100
4. Number of deposits—15
5. Number of checks deposited with 50 "on us" item—250
6. Average daily "float"—$500

In United States District Court

Defendant's Exhibit No. 51

Real Estate Loans as a Percentage of Total Loans and Discounts for Nashville Bank and Trust Co., Third National Bank, and all Insured Banks in Tennessee, 1959-63

(December Data)

Date	Nashville Bank and Trust Co.	Third National Bank	All Insured Banks in Tennessee
1959	41.40%	1.23%	17.36%
1960	38.15	1.00	17.54
1961	36.70	1.08	17.68
1962	37.64	1.20	17.94
1963	36.31	.71	18.26

Source: FDIC *Reports of Call* for individual banks and published summary of *Reports of Call* for all insured banks.

Dollar Amounts of Real Estate Loans
(December Data; in millions of dollars)

Date	Nashville Bank and Trust Co.	Third National Bank	All Insured Banks in Tennessee
1959	$7.0	$1.5	$275
1960	7.0	1.3	301
1961	7.0	1.4	325
1962	7.2	1.9	373
1963	7.8	1.3	427

Source: Same as above.

In United States District Court

Defendant's Exhibit No. 52

Commercial and Industrial Loans, and Loans to Individuals for Personal Expenditures as Percentages of Total Loans and Discounts, 1959-1963 for the Third National Bank and Nashville Bank and Trust

Study by Dr. Olin S. Pugh
May 6, 1966

	Third National			Nashville Trust		
	Commercial Loans as Percent of All Loans	Individual Loans as Percent of All Loans	Combined Percentages	Commercial Loans as Percent of All Loans	Individual Loans as Percent of All Loans	Combined Percentages
December:						
1959.....	54.1	32.1	86.2	17.4	38.7	56.1
1960.....	54.4	32.5	87.0	25.6	35.4	61.0
1961.....	39.2	34.2	73.4	26.0	31.7	57.7
1962.....	41.9	35.3	77.2	26.4	33.4	59.8
1963.....	41.4	38.4	79.8	27.3	34.1	61.4

Source: Calculated from December Call Reports of the two banks.

In United States District Court

Defendant's Exhibit No. 53

Changes in Banking Structure in the United States, State of Tennessee, and Davidson County, Tennessee 1957-1965

Study by Dr. Olin S. Pugh
May 6, 1966

	Banks Beginning Operations	Mergers, Absorptions, Liquidations	Changes in Number of Banks	Total Banks at End of Period	Increase in Branches	Total Branches at End of Period
1957:						
U. S.	92	161	− 73	13,607	632	8,372
Tenn.	1	0	+ 1	298	16	168
Davidson	0	0	0	8	0	32
1958:						
U. S.	96	163	− 67	13,540	696	9,068
Tenn.	1	1	0	298	15	183
Davidson	0	0	0	8	1	33
1959:						
U. S.	117	171	− 54	13,486	722	9,790
Tenn.	0	1	− 1	297	14	197
Davidson	1	0	+ 1	9	1	34
1960:						
U.S.	132	134	− 2	13,484	829	10,619
Tenn.	1	1	0	297	19	216
Davidson	0	0	0	9	1	35
1961:						
U.S.	113	153	− 40	13,444	880	11,499
Tenn.	1	2	− 1	296	20	236
Davidson	0	0	0	9	6	41
1962:						
U. S.	183	188	− 5	13,439	992	12,491
Tenn.	0	2	− 2	294	19	255
Davidson	0	1	− 1	8	1	42
1963:						
U. S.	300	157	+143	13,582	1,161	13,652
Tenn.	0	0	0	294	16	271
Davidson	0	0	0	8	3	44
1964:						
U. S.	337	144	+193	13,775	1,119	14,771
Tenn.	2	2	0	294	24	295
Davidson	0	1	− 1	7	2	46

Changes in Banking Structure in the United States, State of Tennessee, and Davidson County, Tennessee 1957-1965

Study by Dr. Olin S. Pugh
May 6, 1966

	Banks Beginning Operations	Mergers, Absorptions, Liquidations	Changes in Number of Banks	Total Banks at End of Period	Increase in Branches	Total Branches at End of Period
1965:						
U. S.	199	156	+ 43	13,818	1,147	15,918
Tenn.	4	0	+ 4	298	34	329
Davidson	0	0	0	7	3	49

Source: Derived from Division of Research and Statistics, Board of Governors of the *Federal Reserve System*, *Number of Commercial Banks and Branches, by States*, 1936-63, and *Supplement*, provided by Federal Deposit Insurance Corporation (mimeo) January 1966. Data for Davidson County supplied by letter of May 2, 1966 from W. T. Stumb of Bank and Business Directory Division of R. L. Polk and Company.

In United States District Court

Defendant's Exhibit No. 54

Computation of Annual Retirement Benefits From Profit Sharing Example

This exhibit is submitted as the result of questions by Mr. Farris relative to a comparison of the retirement benefits of the Third National Bank and the Nashville Bank and Trust. Reference is made to page 2863 of the transcript. A typical example of an individual participant under Profit Sharing appears on page 2 of this exhibit.

Third National Bank

15 yr. 8.9% of \$267,481.43 = \$23,805.85 per year. Annual Retirement Income.

20 yr. 7.25% of \$267,481.43 = \$19,392.40 per year. Annual Retirement Income.

Should the individual die prior to exhausting his balance in the Profit Sharing Trust, the residue is paid to his named beneficiary.

Nashville Bank and Trust

Using the same individual in computing retirement benefits, it is calculated on the following formula:

1½% of his average earnings for the last 5 years of employment multiplied by the number of years of employment, not to exceed 30 years, less one half of his annual Social Security amount at the date of retirement.

\$18,000 per year average last 5 years
1½% of \$18,000 × 30 years service = \$8,100.00
Less ½ of Primary Social Security of \$815.40 or
Annual Retirement Income of \$7,284.60
Annual retirement income is for life with no death benefit.

Prepared by: George E. Bivens, Jr., Vice President, Third National Bank.

Profit Sharing Example

Annual Salary	Increase	Employee 3% Contribution	Bank 15% Contribution	Profit Sharing Bal. of Contribution	Earnings Based on Last 3 Yrs. 10.01% *	Profit Sharing Bal. Earnings & Contributions
$ 5,000	$ 500	$ 150	$ 750	$ 900	$ —	$ 900.00
5,500	500	165	825	990	99.09	1,980.09
6,000	500	180	900	1,080	198.21	3,258.30
6,500	500	195	975	1,170	326.16	4,754.46
7,000	500	210	1,050	1,260	475.92	6,490.38
7,500	500	225	1,125	1,350	649.69	8,490.07
8,000	500	240	1,200	1,440	849.86	10,779.93
8,500	500	255	1,275	1,530	1,079.70	13,389.00
9,000	500	270	1,350	1,620	1,340.24	16,349.24
9,500	500	285	1,425	1,710	1,636.56	19,695.80
10,000	500	300	1,500	1,800	1,971.55	23,467.35
10,500	500	315	1,575	1,890	2,349.08	27,706.43
11,000	500	330	1,650	1,980	2,773.41	32,459.84
11,500	500	345	1,725	2,070	3,249.23	37,779.07
12,000	500	360	1,800	2,160	3,781.68	43,720.75
12,500	500	375	1,875	2,250	4,376.45	50,347.20
13,000	500	390	1,950	2,340	5,039.75	57,726.95
13,500	500	405	2,025	2,430	5,778.47	65,935.42
14,000	500	420	2,100	2,520	6,600.14	75,055.56
14,500	500	435	2,175	2,610	7,513.06	85,178.62
15,000	500	450	2,250	2,700	8,526.38	96,405.00
15,000		450	2,250	2,700	9,650.14	108,755.14
15,000	—	450	2,250	2,700	10,886.39	122,341.53
15,000		450	2,250	2,700	12,246.39	137,287.92
15,000	3,000	450	2,250	2,700	13,742.52	153,730.44
18,000		540	2,700	3,240	15,388.42	172,358.86
18,000		540	2,700	3,240	17,253.12	192,851.98
18,000		540	2,700	3,240	19,304.48	215,396.46
18,000		540	2,700	3,240	21,561.19	240,197.65
18,000		540	2,700	3,240	24,043.78	267,481.43
$360,000		$10,800	$54,000	$64,800	$202,681.43	$267,481.43 **

* 10.01% is the average of the last three years' yield. Average yield since inception (January 1, 1947) 8.24%.

** There is an accumulated balance in Profit Sharing at the end of the 30th year of $267,481.43.

In United States District Court

Intervenor's Exhibit No. 8

Department of Banking
State of Tennessee
Nashville

May 11, 1964

M. A. Bryan
Superintendent of Banks

Mr. W. A. Robson
Regional Comptroller of Currency
Eighth National Bank Region
167 North Main Street
Memphis, Tennessee

Dear Mr. Robson:

Your letter advising this office of application to merge the Third National Bank and the Nashville Bank & Trust Company, both of Nashville, Tennessee under the name and charter of Third National Bank, has been received.

An observation from this office is made, as the writer in the capacities of both banker and supervisor during the past 35 years feels that some enlightment on aspects might be of help in reaching the proper conclusion on factors under consideration.

Nashville banking has been considered competitive over the years. The First American National Bank being the largest since the early thirties. The proposed merger could, in my opinion, increase competition as the consolidation would make the Third National Bank nearer the size of the aforesaid largest bank.

Facts remain that the survivor of the merging institutions will still remain in second place as to size and the elimination of a small competitor will not be too important.

Yours very truly, M. A. Bryan.

MAB/ef

United States District Court
Intervenor's Exhibit No. 19

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REPORT OF EXAMINATION

Regular

FDIC District 6 Certificate Number 15412

NASHVILLE BANK AND TRUST COMPANY

Nashville Davidson Tennessee

Examiner-in-Charge J. A. Parnell Examined Close of Business May 16, 1960

Examination commenced 2:15 P. M., on May 16, 1960 Closed 4:30 P. M., on June 3, 1960

THIS REPORT OF EXAMINATION IS STRICTLY CONFIDENTIAL

This report of examination has been made by an examiner appointed by the Board of Directors of the Federal Deposit Insurance Corporation for use in the supervision of the bank. This copy of the report is the property of the Federal Deposit Insurance Corporation and is furnished to the bank examined for its confidential use. Under no circumstances shall the bank, or any of its directors, officers, or employees disclose or make public in any manner the report or any portion thereof.

The information contained in this report is based upon the books and records of the bank, upon statements made to the Examiner by directors, officers, and employees, and upon information obtained from other sources believed to be reliable and presumed by the Examiner to be correct.

It is recommended that each director, in keeping with his responsibilities both to depositors and to shareholders, thoroughly review the report. In making this review, it should be kept in mind that an examination is not the same as an audit, and this report should not be considered to be an audit report.

Jesse P. Wolcott, *Chairman*
Board of Directors

FEDERAL DEPOSIT INSURANCE CORPORATION

Examined Close of Business 5-26-60 Number 15412

CONCLUSIONS AND RECOMMENDATIONS

Loans and Discounts

Adversely classified and overdue loans are detailed on page 7-a and continuations. Before valuation allowance is applied, classifications are as follows: Substandard - $545,595.93, Doubtful - $56,750, and Loss - $13,618.75. These totals reflect an increase as compared with the last examination. Although these amounts are not considered to be particularly excessive as compared with the entire account, they are sufficiently high to warrant attention by the officers and the board.

Credit information supporting unsecured and thinly margined collateral loans has been improved to an extent; however, there are a number of exceptions listed on pages 7-b and 7-b-1. Continued effort toward complete credit files is recommended.

The loan account has increased slightly more than $1,200,000 since the last examination. This is a better ratio as compared with last examination because deposits have increased approximately $6,000,000 in the interim. It must be recognized, however, that the largest increase in deposits consists of accounts payable on demand that include several large accounts; this quite naturally needs to be taken into consideration with regard to new advances.

Fixed Assets

Fixed assets, less reserves, have increased approximately $390,000 since the last examination, mainly because of the parking garage and the acquisition of other real estate taken for DPC and the purchase (option) on which earnest money has been advanced. These assets approximate 50 per cent of the capital account and need to be written down on the books at an amount substantially more than that allowed for income tax purposes.

In view of the large fixed asset position it would seem that the sale of new stock would be advisable, especially since the deposit volume is growing rather rapidly.

Securities

Stocks with a book value of $4,650 are classified Substandard. Consideration might well be given as to whether their retention is desirable.

Trust Department

Potential losses totaling $130,752.03 and contingent liabilities amounting to $1,546,095.12 are shown on page 10-a. These together with other trust activities are disclosed in the attached trust department report. It would seem that much of this criticism could be eliminated with a minimum of effort.

Advances to Trust Department

The commercial department has advanced $129,623.23 to the trust department in the form of overdrafts, of which $1,546.58 is classified Doubtful.

Other Real Estate

One parcel of other real estate which is carried at $14,500 and earnest money on another parcel amounting to $1,000 are classified Substandard. Details are shown on page 8-b.

xamined Close of Business 5-35-60 Number [illegible]

CONCLUSIONS AND RECOMMENDATIONS

Internal Routine and Controls

Internal operations are maintained in an old-fashioned manner causing much labor and inefficiency. It would seem that modern methods need to be adopted.

J. A. Parnell
Examiner

By: C. M. Dunn
Supervising Examiner

t this report of examination has been carefully proof read and that all schedules have been proved and found correct.

H. E. Pasqual
Chief Clerk

Form 56 Revised 1-15-52

Examined Close of Business 5-26-60 Number 25432

SUMMARY OF CLASSIFICATIONS

Substandard classification is defined as: Book assets or portions thereof not classified as Doubtful or Loss and which involve more than a normal risk due to the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted in the examiner's comments. These assets should be given special and corrective attention, for example, by obtaining suitable reductions in amount, additional security, more complete financial data concerning the obligor's condition, or other such action as the specific circumstances may require. Doubtful and Loss classifications are self-explanatory. Assets classified Loss and 50% of assets classified Doubtful should be eliminated.

Description	Gross Classifications (Before deduction of valuation reserves, if any)			Net Classifications (After deduction of valuation reserves)		
	Substandard	Doubtful	Loss	Substandard	Doubtful	Loss
Securities	4,650.00		5,027.25	4,650.00		5,027.25
Loans and discounts	545,595.98	56,750.00	13,618.75			
Other real estate	15,500.00			15,500.00		
Other assets		1,546.58			1,546.58	
	565,745.98	58,296.58	18,646.00	20,150.00	1,546.58	5,027.25

Note: The following statement shows valuation reserves, other than those for fixed assets, not reflected in the above computation.

Valuation reserve for loans and discounts - $226,102.46.

CAPITAL ACCOUNT ANALYSIS

Capital Account	Rate	Date issued	Maturity	Original amount	Retirable value	Par	Number of shares	Amount
Common - without double liability						100	16,333	1,633,300.00

Total capital stock, notes, and debentures		1,633,300.00
Surplus		450,000.00
Net undivided profits	1,145,753.11	
Reserves for contingencies	226,032.85	
Other segregations of capital account		1,3[illegible].96
Total book capital account		3,455,085.96
Determinable sound banking values of assets not shown on books (Page 10)		
Subtotal		3,455,085.96
Less: (a) Assets classified Loss (Net)	5,027.25	
(b) Differences in verified accounts and Liabilities not shown on books	4,304.83	9,3[illegible]
Capital account after deducting (a) and (b)		3,4[illegible]
(c) Fifty percent of assets classified Doubtful (Net)		[illegible]
Adjusted capital account after deducting (a), (b) and (c)		3,[illegible].98

Adjusted capital account as percent of quarterly average of total assets for the past year ($ 37,[illegible],200) 9.2 %.

The amounts shown in the following calculations are not reflected as deductions in the adjusted capital analysis. However, they should be taken into consideration, together with any need for reserves against the volume of classified assets shown in the SUMMARY OF CLASSIFICATIONS, before diverting any of the net profits of the bank to salary increases, bonuses, or payment of dividends.

Securities depreciation not reflected in above analysis 252,757.97

Potential loss in Contingent Liabilities not classified Doubtful or Loss 130,752.00

Summary of Classifications
Capital Account Analysis

Examined Close of Business 5-26-60 Number [illegible]

INVESTMENT POLICIES

1. Does the bank have a definite investment policy? If so, summarize the policy, state whether it has been approved by the Board of Directors, and indicate the extent to which it is being adhered to.
   The [illegible] does not have a definite investment policy. Investments are confined mostly to U. S. Government - Direct, Federal Agencies, and investment-quality State, County, and Municipal securities.

2. (a) Are purchases and sales authorized by the Board before execution and authorization noted in the minutes? (b) If specific authority to purchase and sell has been delegated to certain officers or to an Investment Committee, state names and indicate procedure followed, extent of authority, and whether all transactions are subsequently approved by Board and properly noted in the minutes.
   (a) Yes, in most instances.
   (b) Authority to purchase and sell securities has been delegated to the executive committee, composed of Chairman of the Board H. G. Hill, Jr., Vice Chairman McNeilly, President Hackworth, and Directors Robert S. Cheek, Newman Cheek, L. P. Emmett, and J. W. James.

3. Describe and comment upon procedure followed by the Board or Investment Committee in periodic review or analysis of investment account.
   No record of any review or analysis.

4. Are marginal, speculative, defaulted, and other undesirable securities receiving the special consideration of Board or Investment Committee?
   No record.

5. State names and types of statistical or advisory services to which bank subscribes in connection with its securities account and comment upon the adequacy of such services and credit information. The trust company subscribes to some portion of the three principal [illegible] services [illegible] also receives the reports of the Tennessee Taxpayers' Association regarding Tennessee municipal issues and the corporate services of the Bankers Trust Company, New York.

6. (a) Securities sold since last examination: Number of issues Two ; Total book value $ 1,225,625.00
   (b) Securities purchased since last examination: Number of issues Twelve ; Total book value $ 408,601.83
   Does not include issues called, matured, or exchanged, or transactions in U. S. Treasury bills.

7. State amount of net profits from sales of securities since last examination and indicate to what extent profits have been used to provide for losses by establishing valuation reserves.
   None

8. Is bank properly amortizing premiums on bonds which are carried on books in excess of par value?
   Satisfactory, with the exception of eleven State, County, and Municipal issues, which were brought [illegible] satisfactory status during the examination.

SECURITIES RECAPITULATION BY CLASSES

Classes	Par Value	Book Value	Estimated Market Value
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND GUARANTEED	10,075,500.00	9,762,608.58	9,556,400.31
STATE, COUNTY, AND MUNICIPAL	1,702,000.00	1,786,322.81	1,737,730.00
OTHER BONDS, NOTES, AND DEBENTURES:			
(a) Federal Agencies, not Guaranteed	505,000.00	500,673.77	502,946.03
(b) U. S. Territories and Possessions			
(c) Domestic Corporations—Private			
(d) Foreign—Public and Private	4,000.00		
(e) All Other Bonds, Notes, and Debentures	17,000.00	17,000.00	24,620.00
Total Other Bonds, Notes, and Debentures	526,000.00	517,673.77	527,566.03
STOCKS		4,650.00	7,800.00
Total of All Securities	12,323,500.00	12,071,255.16	[illegible]
Less Premium Reserves			
Less Valuation Reserves			
Net Totals	12,323,500.00	12,071,255.16	[illegible]

Examined Close of Business 5-16-60 Number [illegible]

LOANS AND DISCOUNTS

LOAN POLICIES

1. Indicate (a) extent of diversification of loan portfolio and general nature and character of collateral held; (b) to what general lines of industry or classes of borrowers loans are chiefly made.

(a) Approximately 37 per cent of loans are predicated on RE security, and 12 per cent are represented by consumer paper. A sizable portion is secured by assigned life insurance policies.
(b) A satisfactory distribution seems to exist to merchants, professional people, manufacturers, and other individuals.

2. Comment upon procedure and describe duties and responsibilities of Board, Discount Committee, and loaning officers in connection with the establishment of lines of credit, and the making, authorizing and approving of loans.

Loans to established customers are granted by active officers without prior authorization or approval. Large and important applications are approved in advance by the executive committee. All loans are subsequently approved by the executive committee.

3. Describe and comment upon procedure followed by Board or Discount Committee in reviewing (a) overdue loans, (b) demand loans, and (c) important maturing loans.

Overdue loans are segregated and reviewed by active officers daily. Demand and important maturing loans are discussed by the executive committee.

4. Are minutes of Board or Discount Committee complete as to both approvals and disapprovals of loans?

Complete as to approvals; no disapprovals are noted.

5. Are loans to directors, officers, employees, and their interests, and to bank's affiliates specially acted upon by Board?

Yes

6. Does Board or Discount Committee review and appraise collateral periodically?

Yes

7. Is credit information (a) adequate, (b) current, (c) in sufficient detail, and (d) properly filed?

Credit information has been improved since the last examination; however, there are a number of lines that are not properly supported by credit data.

8. Interest rates on loans: Maximum 6 %; Minimum 4 %; Average 6 %. Comment, if necessary, on bank's system of penalties, commissions, and other charges on loans.

Minimum charge of $3 is in effect. Consumer paper is discounted at rates of 5 to 6 per cent.

9. Is it bank's policy to collect interest on loans at least every six months?

Yes

10. Does bank advance maturity of notes upon payment of interest without requiring formal renewal note or extension agreement?

No

11. Does bank as a general policy have prior understandings with borrowers as to amortization of long-term loans, loans of a capital nature, and real estate loans?

Yes, in most instances.

12. With regard to loans secured by real estate and chattels: (a) Are mortgages, trust deeds, and other such documents properly recorded and filed? (b) Are assigned insurance policies, satisfactory appraisals, tax receipts, and title policies or opinions available and in order?

(a) Yes
(b) Satisfactory

13. Real estate loans:

(a) Loans guaranteed in part by Veterans Administration.	1,222,744.62
(b) Loans insured under Title II or VI of National Housing Act.	23,556.12
(c) 100% Government-guaranteed loans;—i.e. combination VA-FHA.	5,284,111.81
(d) Other loans secured by first liens on real estate.	18,765.12
(e) Loans secured by junior liens on real estate.	
Total real estate loans	6,549.177.67

14. State aggregate amount and classification of potential other real estate (PORE) carried in loans and discounts:

None

Examined Close of Business 5-16-60

Number 15412

LOANS AND DISCOUNTS

LOANS SUBJECT TO CLASSIFICATION—OVERDUE LOANS

Substandard classification is defined as: Loans or portions thereof not classified as Doubtful or Loss and which involve more than a normal risk due to the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted in the examiner's comments. These loans should be given special and corrective attention; for example, by obtaining suitable reductions in amount, additional security, more complete financial data concerning the obligor's condition, or other such action as the specific circumstances may require. Doubtful and Loss classifications are self-explanatory. Loans classified Loss and 50% of loans classified Doubtful should be eliminated.

Recapitulation of overdue loans	Amount
Class A—Loans on which interest has been overdue for six months or more and is unpaid	11,809.16
Class B—All other overdue loans which have passed maturity or on which installments or interest payments have been overdue for one month and are unpaid	743,119.81
Total overdue loans	754,928.97

Percentage of Overdue Loans to Total Loans of 17,881,204.27 is 4.2 %.
Amounts shown are before deduction of valuation reserves, if any, except where reserves (totaling $ None) have been specifically allocated to individual loans.

This schedule includes all loans of every borrower, any portion of whose indebtedness to the bank is subject to a Substandard, Doubtful or Loss classification, with an explanation as to why the classification is accorded. The schedule also includes all overdue loans, either listed individually by name of borrower or grouped together in total, irrespective of whether subject to classification. Any loan or portion thereof secured by real estate the acquisition of which by the bank appears necessary and unavoidable, is designated as potential other real estate by the abbreviation, PORE.

Amount	Maker, endorsers, security, and comments / Due date of overdue loans	Overdue	CLASSIFICATIONS Substandard	Doubtful	Loss
	RECAPITULATION				
	Commercial Loans	B 434,626.78	525,135.50	51,750.00	13,618.75
	Real Estate Loans	A 9,742.82 B 261,170.13	15,460.48	5,000.00	
	Instalment Loan Department	A 2,066.34 B 47,322.90			
	Total	A 11,809.16 B 743,119.81	540,595.98	56,750.00	13,618.75
	Less valuation allowance		540,595.98	56,750.00	13,618.75

Examined Close of Business 5-16-60 | Number 25332

LOANS AND DISCOUNTS

LOANS SUBJECT TO CLASSIFICATION—OVERDUE LOANS

Amount / Maker, endorsers, security, and comments / Due date of overdue loans	Overdue	Substandard	Doubtful	Loss
COMMERCIAL LOANS				
390,000.00 [redacted]		415,000 — 390,000.00		
4,250.00 [redacted]		4600 — 4,250.00		
15,708.30 [redacted], INC. 3-7-60	B 3,958.30	15,708.30		

390,000.00 [redacted]

Unsecured; not endorsed or guaranteed by any of the principal stockholders. FS on file, dated 2-29-60, shows: 12-31-59

Inventory	661.8	575.3	CL	844.4	537.0
AR, net		396.1	Cap.	200.0	200.5
OA	6.9	.4	Deficit	9.6	72.4
FA, net	47.7	52.5			
Deferred charges	2.7	10.0			
	665.1	$1,034.8M			

Firm is about two and one-half years old and operated at a sizable deficit for the first 18 months; however, operations show a profit for the last 10 months, reducing the deficit from $72.4M to $9.6M as shown above; in addition to the above direct borrowings the bank holds a substantial amount of stock of the firm as collateral to other loans. The company is claimed to have a good potential; however, it is obvious that the bank has gone more or less overboard in this financing, and it is evident that the bank has become a substantial partner in the firm. Line has been reduced $25M since the last examination, and it is supposed to be reduced at the rate of $5M a month hereafter.

4,250.00 [redacted]

Unsecured and not endorsed. An old FS on file shows resources of $23.6M and debts totaling $14M, including a mortgage on a home which is the main asset included in resources. Maker is a young attorney and is a son of one of the main officers of the firm whose line is adversely classified above. Credit information on file, which is old, is not thought to justify a line of this size on an unsecured basis.

15,708.30 [redacted], INC. 3-7-60

$3,958.30 represents a discounted note of a customer with an original amount of $5,899.31 and is delinquent as shown. Balance of line consists of three unsecured notes endorsed by the principal owners of the corporation. FS of the firm, dated 2-29-60, shows CA of $72.6M, FA of $9.7M, and OA of $6.[illegible], CL of $[illegible], long-term debt of $3.6M, capital of $6M and surplus of $31.8M. Line has been steady for an extended period with little or no change as to amount. Makers have applied for a Small Business Administration loan for operating capital but the prospects of obtaining this financing have not been determined at this time.
(continued)

TEXT IS POOR

xamined Close of Business 5-16-60

Number [illegible]

BORROWINGS

his schedule details liabilities for borrowed money whether in form of bills payable, rediscounts, assets sold under repurchase agreement, certificate of deposit, en accounts, or otherwise. Liability for securities borrowed is detailed in separate group. Borrowings not specifically authorized by directors are indicated.

Source and form of borrowing	Amount	Date of loan	Rate	Date due	Pledged assets	
					Description	Book value
one						
Total					Total	

cord of borrowings since last examination: None

(a) Total days since last examination:

(b) Total days in debt:

(c) Maximum borrowings since last examination:

(d) Average borrowings for days in debt:

CONTINGENT LIABILITIES

is schedule includes liabilities definitely contingent in nature. Items for which bank may be morally but is not technically responsible also receive comment. adjustment is made on page 3 for estimated losses shown below.

Description	Contingent liabilities	Potential losses	Estimated losses
efer to examination report of trust department	1,546,095.12	130,752.08	
Total	1,546,095.12	130,752.08	

Form 56 Revised 6-1-37

Examined Close of Business 5-16-60

Number 19412

REPORT OF EXAMINATION-CONFIDENTIAL SECTION

NASHVILLE BANK AND TRUST COMPANY

Nashville, DAVIDSON, Tennessee

Federal Deposit Insurance Corporation District 6 FDIC Sub-district 34 Federal Reserve District 6

Examination Commenced Two-fifteen O'Clock P. M. on Monday, May 16, 1960

Examination Completed Four-thirty O'Clock P. M. on Friday, June 3, 1960

Date of Last Examination by FDIC April 6, 1959 By State Authority December 7, 1959

Daily Opening Business Hour of Bank Nine Daily Closing Hour Two (Closed on Saturday)

Tellers With Separate Cash Eleven Men Necessary to Start Examination Seventeen

Examiners	Working hours in bank	Working hours outside bank	Examiners	Working hours in bank	Working hours outside bank
Refer to page A-1.					
			Total working hours		

CONCLUSIONS AND RECOMMENDATIONS

The management remains principally in the hands of President Hackworth, who continues to press for new business, and the volume of deposits has increased substantially over the past three or four years. He was not a banker when he came to the bank and has been mislead to some extent by some of the junior officers in approving speculative loans. However, he is learning fast and seems to desire that the bank be operated on a sound basis. Records are antiquated and President Hackworth desires to make certain needed changes but is having difficulty in convincing some of the older officers of the necessity. Although the management is lacking in some respects, it is thought to be competent and is rated SATISFACTORY.

President Hackworth desires to depreciate fixed assets at a more accelerated pace and favors a sale of additional new capital; however, other old-timers do not look on this with much favor.

Asset classifications are not large in total and are, for the most part, covered by valuation allowance, and normal supervision is believed to be all that will be necessary.

Market values on municipal securities were obtained from Mid-South Securities Company, Nashville, Tennessee.

The vacation program in effect seems to be satisfactory.

J. A. Parnell
Examiner

By: C. M. Dunn
Supervising Examiner

CERTIFY on honor that this supplemental report of examination has been carefully proof read and that all schedules have been proved and found correct.

H. E. Pasqual
Chief Clerk

...mined Close of Business 5-16-60

Number 15432

DIRECTORS, OFFICERS, AND EMPLOYEES

...alphabetically all directors, officers, and principal employees and indicate titles. Comment upon each individual insofar as facts and familiarity of examiner ...situation warrant. If opinions cannot be formed or reasonably substantiated, so state. In comments indicate (a) individuals who dominate policies of bank ... extent, character, and effects of such domination, (b) capabilities of each individual with reference to his duties and responsibilities, past banking experience, and ...unt of time devoted to bank, (c) reputation in community of each individual, approximate age, and other business affiliations or profession, (d) individuals who ... members of principal committees of bank, (e) individuals with whom condition of bank was discussed at this examination, (f) individuals who apparently ... ...st complete and accurate information and those who seem reticent or unwilling to inform examiner of facts, (g) individuals who are directors or officers ... ...anks, together with names of such banks, (h) individuals whose indebtedness to this bank or to others appears likely to impair or jeopardize their usefulness ... this institution, (i) individuals who are known to have embezzled or otherwise criminally misused funds of any bank, business, or other organization or enterprise ... or individual. Show at end of schedule aggregate number and salary of minor employees. If current financial statements of directors and officers are not available ... ate from what sources the estimated net worths were obtained. Salaries should include all bonuses and pensions paid by bank. Designate preferred capital holdings ... with the letter "P."

Name and comments	Att.	Estimated net worth	Date of statement	Par value of capital owned	Salary
DIRECTORS					
Bevington, John L.	3	[redacted]	(1)	3,300.00	
Age about seventy-two. Former vice president of Cain Sloan and Company, one of the largest department stores in the city, but is now retired. Has been a member of the directorate since 1933. A member of the examining committee. Is a well known and influential member of the community.					
Bouchard, John E., Jr.	4	[redacted]	(1)	1,600.00	
Age about fifty. President of J. E. Bouchard and Son, Inc., a local heating and plumbing contracting firm. Elected to the board on 1-14-58. Although he has had no previous banking experience, he has been successful in his personal affairs.					
Cheek, Newman	5	[redacted]	(1)	22,200.00	
Age about sixty-three. Member of a local prominent family of substantial means. Has large holdings in real estate and investments. Elected a member of the board in 1942 and is a member of the executive and examining committees. Is thought to be a close friend of Chairman Hill and is said to take an active interest in the affairs of the bank.					
Cheek, Robert S.	4	[redacted]	(1)	21,300.00	
Age about eighty-one. Brother of Director Newman Cheek. Business interests consist of private investments and he is the principal owner of Cumberland Motor Company, Inc., a Dodge and Plymouth Agency in Nashville. Elected a member of the directorate in 1933 and is a member of the executive committee. Was a director of the American Trust Company and the First American National Bank. He is thought to exercise sound business judgment and is reported to take an active interest in the affairs of the bank.					
Hackworth, Werter S. - President	5	[redacted]	(1)	202,000.00	17,500.00
Age sixty-four. Has been a member of the directorate since 1946; elected to his present position in January, 1956. He was formerly president of the Nashville, Chattanooga and St. Louis Railroad Company. Ex-officio member of the executive and research committees. Except for serving on some important committees as a [illegible] of the board, he has had no prior banking experience. He is vitally [illegible] in obtaining new business and promoting new enterprises where the [illegible] benefited, but it is thought that he has been induced to make some [illegible] of the junior officers that may not turn out as expected. He must be [illegible] with having sound judgment and has instilled some new life in the [illegible].					
Hill, H. Graham	5	[redacted]	(1)	3,500.00	
Age about seventy-seven. Member of a local insurance firm, Hall and Benedict. Has been a director since 1933. He is reported to have a good local reputation; however, his value as a member of the board has not been determined.					

C

Examined Close of Business 5-16-60 Number 15432

DIRECTORS, OFFICERS, AND EMPLOYEES

Name and comments	Att.	Estimated net worth	Date of statement	Par value of capital owned	Salary
DIRECTORS (continued)					
[illegible], Frank J.		[redacted]	(1)	1,000.00	——
Age sixty-six. Executive vice president of Murray Ohio Manufacturing Company. Elected to the board on 1-12-60, with no previous banking experience.					
Hill, H. G., Jr. - Chairman of Board	4	[redacted]	(1)	46,400.00	1,050.00
Age about sixty-one. He is head of a local retail grocery chain, H. G. Hill Company, Inc., which was founded by his late father, former Chairman of Board H. G. Hill. This company owns stock control of the bank. He has been a director for several years and is ex-officio member of the executive committee. He has been in a position to dominate the affairs of the institution since the death of his father, but he apparently is satisfied to let things go along in the old-fashionedway and more or less leaves management policies with the executive officers until some progressive program is presented; then it takes him from six months to two years to make up his mind as to whether or not the change is suitable or desirable. He is a bachelor and does not come around the bank until at least noon each day. A sleepy-head but has considerable ability.					
Jakes, J.W. - Vice President	4	[redacted]	(1)	6,700.00	2,175.00
Age about seventy-seven. Has been connected with the bank since 1940 and a member of the board since January, 1946. Devotes full time to the bank and is in charge of the investment account; is consulted in connection with investments made by the trust department. He formerly operated a securities business and has a wide experience in the municipal field. Member of the executive, research, and common trust fund committees. At present he is in a hospital with a heart condition.					
McNeilly, W. W. - Vice Chairman of Board	5	[redacted]	(1)	1,900.00	8,750.00
Age seventy-eight. He has been in the banking profession since 1905, serving as auditor and comptroller of the institution for a number of years and as president from 1947 until January, 1956, when he was elected to his present position. His authority, as stated in the bylaws, is the same as the president. Ex-officio member of the executive and research committees. He has a good knowledge of both the banking and trust business because of his long experience and stays in close touch with all departments. He is content to go along with old-fashioned ways in so far as operations are concerned; in fact he is not in good health and has been absent for this reason on a number of occasions. Although he keeps going, his influence is not too great and is diminishing daily. A good old gentleman and should be consulted, but he has gotten to the point that he will follow, rather than lead.					
[illegible], Dr. Oren A.	5	[redacted]	(1)	7,200.00	
Age about sixty-nine. A prominent local dentist who has been successful in his [illegible] [illegible]. Elected a member of the board on 1-14-58. No previous banking experience.					
Puckett, L. P., Sr.	5	[redacted]	(1)	8,500.00	
Age about sixty-nine. Vice President of the H. G. Hill Company, Inc., with which he has been associated for a number of years. He is owner of Red Food Stores in Chattanooga, Tennessee; has served as a director of subject bank since 1939 and is a member of the executive and examining committees. Thought to be a valuable [illegible].					

Form 56 Revised 1-1-57

Examined Close of Business 5-16-60 Number 15432

DIRECTORS, OFFICERS, AND EMPLOYEES

Name and comments	Att.	Estimated net worth	Date of statement	Par value of capital owned	Salary
DIRECTORS (continued)					
Wiggington, Madison S.	3	[redacted]	(1)	1,000.00	
Age about fifty-eight. Vice president of Genesco with which he has been affiliated for a number of years. Elected to the board of directors on 1-13-59. No previous banking experience.					
OFFICERS, NOT DIRECTORS, AND EMPLOYEES					
Alfred, H. C. - Vice President				800.00	9,000.00
Age about fifty-six. Has been connected with the bank for several years, serving as teller prior to promotion to present position. He assists Vice President Young as a loan officer and principally handles the instalment department.					
Brush, E. Kenneth - Vice President				1,900.00	11,000.00
Age about sixty. Has been connected with the bank most of his adult life. Manager of the real estate department. Considered satisfactory in that position but probably has little knowledge of any other operations of the bank.					
Burns, Hubert C. - Vice President				500.00	6,300.00
Age fifty-five. Has been with the bank since 1921, serving in various capacities, and was elected to present position in 1956. In charge of new business and the insurance department. Also handles some trust department income tax work and assists with personnel records.					
Conway, H. K., Jr. - Comptroller					4,420.00
Age about fifty-five. Has been with the bank since 1925, serving in various capacities, including teller and general bookkeeper. His present duties are varied, consisting of duties in both the commercial and trust departments.					
Duke, Elmer C. - Auditor					4,420.00
Age about sixty-six. Employed by the bank on 10-8-57. Formerly connected with the Nashville, Chattanooga and St. Louis Railroad Company. He appears to be unable to perform his present duties in a satisfactory manner.					
Mathis, J. Ray - Assistant Secretary					5,700.00
Age about forty-three. Has been connected with the bank since April, 1947, and was elected an officer in January, 1948. Formerly in charge of the bookkeeping department but is now being trained as a loan officer.					
Neal, Guy H. - Assistant Vice President					6,700.00
Age about fifty-nine. Has been connected with the bank in various capacities since 1920 and was elected an officer in 1951. He assists in the operation of the commercial and instalment loan departments.					

Examined Close of Business 5-16-60

Number 25412

DIRECTORS, OFFICERS, AND EMPLOYEES

Name and comments	Att.	Estimated net worth	Date of statement	Par value of capital owned	Salary
OFFICERS, NOT DIRECTORS, AND EMPLOYEES (continued)					
Parker, Fitzgerald S., Jr. - Vice President and Trust Officer				3,900.00	
Refer to the report of examination of the trust department for detailed information.					
Prinm, Kirby O. - Assistant Vice President					5,950.00
Age about forty. Has been connected with the bank since 1940. He works with Mr. Duguo in obtaining new business and is sort of an outside contact man. Several of the criticised loans have been brought into the bank by him because of new business contacts. He would not know a good loan if it happened on him.					
Puckett, Malcolm H. - Assistant Vice President and Branch Manager					6,000.00
Age about thirty-eight. Employed here since July, 1957, and was elected an officer and manager of the new Branch on 10-30-58. Formerly manager of Lafayette Street Branch of Commerce Union Bank, also worked in a bank in Florida for several years.					
Sory, Marvin W. - Secretary and Treasurer					2,070.00
Refer to report of examination of the trust department for detailed information.					
Thomas, Albert H. - Vice President				2,000.00	9,300.00
Age about sixty-eight. Has been with subject bank since 1925; elected to his present position in 1946. He is in charge of the mortgage loan department. His views toward real estate values are considered to be fairly conservative.					
Thompson, Overton, Jr. - Vice President and Trust Officer				1,900.00	
Refer to report of trust examination for detailed information.					
Williams, James Douglas - Vice President				4,800.00	8,300.00
Age about fifty-five. Has been with the bank since 1924. He assists in the operation of the mortgage loan department.					
Young, Frederick B., Jr. - Vice President				5,000.00	9,800.00
Age sixty-one. Has been connected with the bank since 1917. At present he is in charge of the commercial and instalment loan departments, also has full charge of general operations, including the hiring and firing of personnel. Despite his long banking experience, further advancement appears doubtful. He is generally known around the bank and in the city as "Buster" and it seems fitting.					

Examined Close of Business 5-16-60

Number 15432

DIRECTORS, OFFICERS, AND EMPLOYEES

Name and comments	Att.	Estimated net worth	Date of statement	Par value of capital owned	Salary
OFFICERS, NOT DIRECTORS, AND EMPLOYEES (continued)					
Ninety-six Other Employees, including Four Porters, Four Night Watchmen, Two Real Estate Agents, and Five Retired on Pensions				2,000.00	196,376.25
Total				349,400.00	314,791.25

Note: Only those salaries allocated by the bank to the commercial department are reflected in the above schedule; refer to report of examination of the trust department for additional information.

Bonuses totaling $20,705.27 paid in 1959 are not included in the total salaries.

(1) NW estimated by President Hackworth.

Five meetings of the board of directors have been held since the last examination.

The executive committee meets daily, and it has authority to make loans and investments.

A meeting was held with the executive committee at the close of the examination with all members being present.

CONCLUSIONS AND RECOMMENDATIONS

Contingent Liabilities and Potential Loss

Contingent liabilities of $1,546,095.12 are approximately $74,000 larger than shown in the previous examination report, notwithstanding several deletions after subsequent approvals were obtained. Potential losses have only been reduced $600 during the same period and stand at $130,732.08. Most of the contingent liabilities and the potential loss are in two accounts; namely,

Name	Contingent Liabilities	Potential Loss
Trustee UA - [redacted]	$595,900.00	$130,800.00
Co-Trustee UW - [redacted]	838,156.91	
Total	$1,434,056.91	$130,800.00

Notwithstanding repeated criticism for the last several examinations of possible contingent liabilities and potential loss in the account of the [redacted], it will be noted that stocks aggregating $295,000 have been purchased during the past year. It might be pointed out here that the cemetery is solely owned by [redacted], and the above stocks, etc., are of companies that he has organized, some of which appear to be highly speculative. It is very doubtful if any court or jury would consider these as sound investments based on the prudent man rule, which is the latest on the books of the state. In addition to the above funds, the [redacted] is supposed (by law) to place in its perpetual care fund 25 per cent of the sale of [redacted] lots, and it will be noted that the owner has used in his own business affairs some $80,800 (for years and never repaid) which rightfully belongs in the [redacted] fund administered by the bank as trustee; the amount is regarded as a potential loss. It will also be noted that the investments in the [redacted] fund consist of approximately 80 per cent of stocks, etc., in companies that are solely owned or organized by the owner of the cemetery. For a complete description of these investments, and other comments regarding their purchase, etc., attention is called to another schedule in the report. This account has been the source of trouble and concern for the last several years, yet the management of the trust department continues to go along with all of the wishes of the owner and is a party to the misuse of funds for personal benefit in operations that at best could only be considered highly speculative, consequently, the bank may have placed itself in a position to be seriously embarrassed at some future date. In this particular account the undersigned examiner offers the following suggestions and recommendations:

1) After a thorough discussion by the directors of subject bank of this report concerning the above account, it is suggested that the best legal firm available be employed to study the bank's position, to determine what, if any, contingent liabilities have been assumed, and any potential loss, and what steps can be taken to correct the situation,

2) The necessity of a bank trustee is probably questionable, unless the trustee is to handle the account, complying with all legal conditions and handling the [redacted] fund in a manner to comply with the prudent man rule so as to assure its continued existence based on sound investments,

3) Under certain conditions it might be advisable to have a successor trustee (continued)

CONCLUSIONS AND RECOMMENDATIONS

Contingent Liabilities and Potential Loss (continued)

3) appointed, if possible, without legal liability, as the income obtained annually is not commensurate with the possible liability being assumed.

The management of the trust department and whoever is a party to the approval of the manner in which the account is and has been handled are believed subject to severe criticism, and the directorate should take steps to protect the bank's interest.

The manner in which the account under will of [redacted] has been handled leaves much to be desired, and the bank may have accepted unwarranted contingent liabilities, etc. Reference is made to complete details elsewhere in the report, and since the beneficiaries do no banking business with subject institution, and the annual fee for handling part of the account is only $500, it might be advisable for the bank to have a successor appointed, if possible, without any legal liability. This account as well as the one mentioned above should also be discussed with the best legal counsel available.

Overdrafts and Advances

Advances of this nature amount to $129,623.23 and have enhanced from $92,800 since the last examination. While none of the accounts are subject to classification other than for a small Doubtful Classification of $1,546.58, several are detailed for information, and too, the over-all amount seems to be excessive and highly undesirable. In this connection it is pointed out that on July 21, 1959, the [redacted] account was permitted to be overdrawn some $49,300 for about one month before it was made good, so as to enable the management to purchase $150,000 stock in the [redacted] Company, which is now shown as a contingent liability. This illustration is shown here to indicate the apparently careless manner in which overdrafts or advances are granted, and in this connection the management is believed subject to much criticism. It is hoped that advances of this nature will be kept at a minimum in the future, and if possible, they should be eliminated entirely.

Agency Accounts

After much repeated criticism for several examinations the management has obtained agreements on many accounts that were set up as exceptions at the last examination. However, several new accounts have been accepted since that date, which are not properly supported by agreements, and these as well as a few carry-overs from the last examination are made part of a separate schedule shown elsewhere in the report. Efforts should be continued to complete the files with agreements on all important agency accounts.

General Remarks

For the last several years it has been suggested that mortgage loans should be payable to the bank in its fiduciary capacity, rather than to the bank, which in turn endorses without recourse; however, the latter charges 1 per cent for servicing the notes. This recommendation has never been adopted; it is again called to the attention of the directors and by its adoption it is believed that it would lessen the possibility of self-dealing and additional contingent liabilities.

Earnings and expenses are not properly reflected by the trust department as about 30 per cent of salaries of nonofficers and employees are allocated to the trust department. This department should stand on its own merit.

Number

CONCLUSIONS AND RECOMMENDATIONS

General Remarks (continued)

Continued close attention and supervision of this department are recommended; it will be noted that an unwarranted loss was sustained by the bank by a clerk in the department overissuing some stock; approvals of investments should be obtained from the proper persons before the actual purchase. This would eliminate some of the contingent liabilities being assumed. It is hoped that a material improvement will be accomplished prior to the next examination, particularly with respect to some of the subjects mentioned above.

J. D. Byington

Examiner

By: C. M. Dunn

Supervising Examiner

CERTIFY that this report of examination has been carefully proof read and that all schedules have been proved and found correct.

M. E. Pasqual

Chief Clerk

...clusions and Recommendations

Form [illegible] Revised [illegible]

[illegible] at Close of Business 5-26-60 Number [illegible]

RECAPITULATION OF CONTINGENT LIABILITIES, POTENTIAL LOSSES, AND ESTIMATED LOSSES

CONTINGENT LIABILITIES represent an estimation by the examiner of the gross possible liability of the institution resulting from the purchase of nonconforming investments for trust accounts, unwarranted retention of nonconforming assets, self-dealing, questionable practices and procedures, or other acts of omission or commission which appear not to comply with the terms of governing trust instruments or applicable provisions of law and which on accounting may be subject to objection by interested parties. Until appropriate consents, waivers, or releases of liability are obtained from interested parties or nonliability is determined by a court of competent jurisdiction, the liabilities are regarded as "contingent".

POTENTIAL LOSSES represent the examiner's estimates of those portions of the contingent liabilities, as defined above, which may develop into losses to the institution. The amount of losses indicated is potential rather than definite and fixed, pending settlement of the trusts.

ESTIMATED LOSSES represent the amount of losses which, in the examiner's opinion, appears certain to be sustained by the institution as a result of its fiduciary activities.

Description	Contingent liabilities	Potential losses	Estimated losses
Nonconforming Investments Purchased	707,938.21	50,000.00	
Other Possible Liabilities in Fiduciary Accounts	838,156.91	80,752.08	

Total	1,546,095.12	330,752.03	

Classified Advances or Overdrafts: Substandard None ; Doubtful $1,546.58 ; Loss None .

Recapitulation of Contingent Liabilities, Potential Losses, and Estimated Losses

1281

5/3-51

Dated Close of Business 5-16-60 Number [illegible]

NONCONFORMING INVESTMENTS PURCHASED

Employed in this schedule are investments, including real estate loans, not conforming to provisions of State laws or governing trust instruments, which were accepted by institution for investment of trust funds. The amount of contingent liability set forth includes principal, loss of income, and other possible charges for which institution may be responsible. The date purchased is noted in the supporting comments which follow each item. This schedule does not include (a) investments specifically authorized or approved in writing by all interested parties or by a court of competent jurisdiction, (b) instances where adequate indemnification agreements have been obtained from all interested parties, and (c) investments conforming at date of purchase but presently nonconforming.

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, and description and comments.	Cost	Estimated value	Contingent liability	Pot. loss
846	Tstee UA - [redacted]				

Over-all contingent liabilities in this account have enhanced materially since the last examination, occasioned mostly by the purchase of stocks in companies that are controlled by [redacted] the principal owner of the [redacted]. Real estate notes shown as a contingent liability that did not conform to the most recent instructions as amended by court order have been reduced from $224.3M to $142.6M (schedule attached) mostly by the sale of these assets to another [redacted] account (owned by [redacted]) which provisions are of lesser demands than in subject account. However, the over-all amount of contingent liabilities, potential loss, and "Failure to Obtain Trust Corpus" has increased substantially since the last examination, and the management and the trust committee are believed subject to much criticism; these additional stocks purchased since the last examination are not believed to conform to the prudent man rule as employed as the guiding statutes in the state regarding trust investments. They are more fully described elsewhere in the report. Similar investments of the companies owned by [redacted] have been severely criticised in the past, with potential losses being assigned, and notwithstanding the repeated criticism, the management has enhanced these assets during the past year. The present policy of financing [redacted] enterprises is believed dangerous and speculative and if followed, could result in serious loss and embarrassment for the bank. Approximately 80 per cent of the investments in this account are to companies in which [redacted] owns or controls.

The trustee has no investment powers, and all investments are made by the directors of the [redacted] however, in this connection a portion of the provisions of the instrument states: "It is further understood that all of the investments when purchased shall be delivered to the Nashville Bank and Trust Company, Trustee, but the Nashville Bank and Trust Company, Trustee, will have the right to refuse to accept or receive any investments which are not in strict accord with the provisions of the Statutes of Tennessee."

Under the law the [redacted] is required to set aside in the [redacted] fund 25 per cent of the sale price of lots, and another contingent liability and potential loss of $80,752.08 is set up elsewhere in the report, because of the failure of the [redacted] to turn over to the trustee that portion of sales, which is mandatory under the statutes. The bank obviously has been careless and negligent in not insisting and collecting the amount due. The amount is substantial and has been running for years, and it has only been reduced about $600 since the last
(continued)

Examined Close of Business 5-16-60

Number 15[illegible]

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments	Cost	Estimated value	Contingent liability	Potential loss
846	Notes RE - [redacted]				
	examination. The use of these funds in other ventures of the owner of the [redacted] which is in strict violation of statutes, is another indication of the management's weakness in handling this account. The prudent man rule is generally accepted as the basis for making trust investments, being the most recent statute on the books of the state. The original instrument authorized mortgage loans up to 60 per cent of the appraised value of the property. However, this provision was amended to 75 per cent of the appraised value by court order provided the loans were on a 6 per cent rate with a maximum liquidation in twelve years.				
	Date Purchased / Description				
	Various	142,928.33	142,928.33	142,928.33	
	Real estate loans that apparently do not conform with amended court order; the latest provisions provide that RE loans may be made, if not over 75 per cent of appraised value of property, on a 6 per cent interest rate with maximum liquidation in twelve years. The following loans are believed in violation of the above provisions:				

Name	Date	Original Amount	Present Balance	AV	Rate	Maturity	Apparent Violation
[redacted].	5-31-51	$4,800.00	$2,471.47	$6,500.00	6	5-31-66	Maturity
[redacted]	6-5-57	20,000.00	16,762.69	-	6	6-5-69	No appraisal
[redacted] (Assumed by [redacted]	1-20-53	15,000.00	11,275.83	16,500.00	5½	1-20-73	Maturity and rate
[redacted].	2-19-52	5,500.00	2,984.40	7,500.00	5	2-19-67	Maturity and rate
[redacted]	5-23-55	3,000.00	1,880.11	8,900.00	5½	5-23-66	Rate
[redacted]	10-24-52	3,350.00	1,758.49	6,750.00	6	10-24-65	Maturity
[redacted]	6-30-55	15,000.00	12,610.47	20,000.00	5	6-30-75	Maturity and rate
[redacted]	10-9-58	50,000.00	46,447.42	87,500.00	5½	10-9-73	Maturity and rate
[redacted] (Assumed by [redacted])	5-16-58	13,000.00	11,381.02	19,800.00	5½	5-16-70	Rate
[redacted] (continued)	3-21-50	3,800.00	761.12	6,000.00	5	3-21-62	Rate

TEXT IS POOR

ined Close of Business 5-16-60 Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
46	Tstee UA - [redacted] (continued)				

Name	Date	Original Amount	Present Balance	AV	Rate	Maturity	Apparent Violation
[redacted]	3-11-53	$4,500.00	$2,762.20	$6,500.00	5	3-11-68	Rate
[redacted]	8-1-58	20,000.00	18,421.89	29,500.00	5½	8-1-73	Maturity and rate
[redacted]	3-11-53	8,500.00	5,272.06	11,750.00	5	3-11-68	Maturity rate
[redacted]	7-1-55	10,000.00	7,331.90	15,000.00	5½	7-1-70	Maturity and rate
[redacted]	10-28-47	3,450.00	807.21	6,000.00	6	10-28-62	Maturity
Total			$142,928.33				

Date Purchased	Description	Cost	Estimated value	Contingent liability	Potential loss
Various	[redacted], 5%, Debentures, due 1964-65	158,000.00	158,000.00	158,000.00	
8-22-53	150 shares of [redacted] Corporation, Common	15,000.00			15,000.00
Various	[redacted] Corporation, 5%, Cumulative Preferred "B"	35,000.00			35,000.00
	(Note) There has been no change in the BV of these investments since the last examination.				
2-5-60	[redacted] Inc., 1,000 shares Common stock, par value $100	100,000.00	100,000.00	100,000.00	
2-15-60	[redacted] Inc., 100 shares of same stock as above.	10,000.00	10,000.00	10,000.00	
4-4-60	[redacted], 350 shares, common stock, par value $100	35,000.00	35,000.00	35,000.00	
7-21-59	[redacted] Inc., 1,500 shares, common, par value $100	150,000.00	150,000.00	150,000.00	

An FS and other comments regarding the acceptance corporation are listed below; [redacted] Incorporated, appears to be a solely owned company recently organized by [redacted] and its principal business is to lease the grounds and the buildings to a trucking concern on a long-term basis. However, complete details are lacking, and originally on 5-4-59 the bank permitted the purchase of approximately 13 acres of land for (continued)

Examined Close of Business 5-16-60

Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
846	Tstee UA - [redacted] (continued)				

Name	Date	Original Amount	Present Balance	AV	Rate	Maturity	Apparent Violation
[redacted]	3-11-53	$4,500.00	$2,762.20	$6,500.00	5	3-11-68	Rate
[redacted]	8-1-58	20,000.00	18,421.89	29,500.00	$5\frac{1}{2}$	8-1-73	Maturity and rate
[redacted]	3-11-53	8,500.00	5,272.06	11,750.00	5	3-11-68	Maturi[illegible] rate
[redacted]	7-1-55	10,000.00	7,831.90	15,000.00	$5\frac{1}{2}$	7-1-70	Maturity and rate
[redacted]	10-28-47	3,450.00	607.21	6,000.00	6	10-28-62	Maturity
Total			$142,928.33				

Date Purchased	Description	Cost	Estimated value	Contingent liability	Potential loss
Various	[redacted], 5%, Debentures, due 1964-65	158,000.00	158,000.00	158,000.00	
8-22-53	150 shares of [redacted] Corporation, Common	15,000.00			15,000.00
Various	[redacted] Corporation, 5%, Cumulative Preferred "B"	35,000.00			35,000.00
	(Note) There has been no change in the BV of these investments since the last examination.				
2-5-60	[redacted] Inc., 1,000 shares Common stock, par value $100	100,000.00	100,000.00	100,000.00	
2-15-60	[redacted] Inc., 100 shares of same stock as above.	10,000.00	10,000.00	10,000.00	
4-4-60	[redacted], 350 shares, common stock, par value $100	35,000.00	35,000.00	35,000.00	
7-21-59	[redacted], Inc., 1,500 shares, common, par value $100	150,000.00	150,000.00	150,000.00	

An FS and other comments regarding the acceptance corporation are listed below; [redacted] Incorporated, appears to be a solely owned company recently organized by [redacted] and its principal business is to lease the grounds and the buildings to a trucking concern on a long-term basis. However, complete details are lacking, and originally on 5-4-59 the bank permitted the purchase of approximately 13 acres of land for (continued)

TEXT IS POOR

Examined Close of Business 5-16-60

Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
846	Tstee UA - [redacted] (continued) $65M; this was carried as an investment in the account until 2-5-60 when it was deeded to the company for 650 shares, par value $100 of its stock. Two buildings are to be constructed, one at a reported cost of $50M is to be mortgaged for $35M and the other to cost $100M is to be mortgaged for $75M; both loans are to be carried by an insurance company. An FS was requested early in the examination; however, as of closing date, none was obtained. The company's financial condition is unknown, and the stock would in no way appear to conform to the prudent man rule governing trust investments, and the bank permitting this substantial amount of money for a personal business venture by the owner of the cemetery leaves much to be desired and, after complete analyzation of the company's financial condition, the classification assigned may prove very lenient under the circumstances. The $150M stock of the [redacted] Company, is another [redacted] (recently organized) enterprise, and money advanced by the trustee to the owner for his own self-serving interest certainly does not come within the meaning of the prudent man rule governing investments in the trust department. This company is said to be speculative and is a Florida concern, the funds of which were to purchase RE for resale, and the condition of the company's financial condition is unknown and its principal asset of RE may be subject to prior indebtedness. 325 acres 12 miles from Fort Lauderdale, Florida, is said to be held and cost $625 an acre and 30 additional acres was purchased at $1.3M an acre; it was said that about 100 acres has been sold; the development is being handled by a [redacted] a former native of Wilson County, Tennessee. An FS was requested; however, none was obtained up to the closing date of the examination. Classification is believed lenient, and future appraisals may disclose a much more serious situation. The $35M stock in the [redacted] Company, is in the same category as mentioned above, it being a [redacted] concern, recently organized, and a newspaper item indicated that a loan has been approved to the company by the [redacted] however, complete details are not available. This too, is not believed to conform with the prudent man rule, and the classification may prove lenient as the circumstances are developed. (Refer to similar investment in the account of [redacted] The above investments are roughly 80 per cent of the total trust account of some $860.8M, and the management is certainly subject to much serious criticism for allowing this condition to develop; it will be noted that $295M has been advanced since the last examination, notwithstanding repeated criticism at previous examinations of funds given to the owner of the cemetery for his speculation in other business (continued)				

Examined Close of Business 5-16-60

Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
846	Tstee UA - [redacted] (continued)				

ventures owned by himself.

In 1953 [redacted] (sole owner) conceived as a means of obtaining additional capital, the establishment of a corporation to finance the purchase of cemetery lots. Subject bank, acting as trustee, accepted a substantial part of the stock of the finance corporation and a substantial amount of its debentures at various dates from December, 1953, to the early part of 1956. The present amount is the low in holdings; however, a high of $193M was reached in January, 1955. The finance company in recent years issued preferred and common stock, and the trustee accepted $50M of this stock, which represented the entire capital for a long while; the most recent statement on file of the company shows an increase in both classes of capital.

In the undersigned examiner's opinion the common and preferred capital of this corporation cannot qualify under the prudent man rule governing trust investments. These investments were regarded as only contingent liabilities for several examinations; however, since it appears that the company is heavily involved and not making too much progress in its operations, it has become evident that the stocks may be becoming worthless, and the present potential loss is believed reasonable and fair under the circumstances. The bank acts in no capacity with the finance company, other than it holds its unsecured note for $50M in the commercial department and that has been subject to adverse classification for several examinations. When the finance company was set up it was supposed to only handle notes representing the purchase of cemetery lots; however, it was learned that other fields of financing are being followed as well as operating a branch in another state. Complete details are not available as to the debentures, and if these should become worthless, the potential loss might be of substantial proportions if the trustee were held liable for the loss.

The trustee has the right to reject investments that do not conform to the prudent man rule or those that are apparently in violation of state statutes. The acceptance of the debentures and both classes of capital as well as the recent purchases of other stocks in the [redacted] companies could be regarded as very questionable. [redacted] (sole owner) through these manipulations is converting funds of the trust to his own business ventures, and this is likewise true with the potential loss shown elsewhere in the report for the bank's failure to collect "Trust Corpus." These manipulations and self-serving tendencies and the way the trust is being handled leave much doubt for the necessity of a trustee. The fee obtained for handling the account (said to be about $5M annually) is not believed sufficient to permit the investments to be used by the owner in his other enterprises, several of which [illegible]

(continued)

Examined Close of Business 5-16-60 Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
846	Tstee UA - [redacted] (continued)				

appear to be entirely speculative and are not proven successful financial concerns.

Under a trust agreement, dated 6-21-54, between [redacted] and [redacted] the agreement provides for a maximum issuance of $500M debentures to be secured by notes receivable for the purchase of cemetery lots and other notes payable to the company. The collateral is said to be turned over to a trustee, who apparently gives it back to the acceptance corporation for collection, under its trust receipt. It was also stated that [redacted] resigned from that capacity, and full details are lacking as to who the successor trustee is and if the debentures are actually secured by notes.

Statement of the [redacted] dated 6-30-59, shows:

Cash	27.5	CL	269.3
AR	14.6	5% Deb.64-65	158.0
Ret. checks	.5	6% Deb. 67	100.0
L&D	536.8*	Subtotal	547.3
Second mtges.	15.3		
RE for sale	224.5	Unearned int.	43.1
		Reserve (contra)	14.9
Stocks	2.0		
Utility dep.	.2	Cap. pfd.	120.0
FA	24.0	Cap. com.	112.0
Def. chges.	2.3	Surplus	25.3
Reserve (contra)	14.9		

$862.6M

*Consists principally of loan agreements with various cemeteries totaling $317.6M (also owned by [redacted] and $113.7M signature and CM notes. RE acquired for resale appears to be mortgaged for $112.8M. Income in 1959 amounted to $148.3M on which a profit of $10.6M was made before taxes. As compared to statement, dated 6-30-58, total debts have enhanced from $344.6M and capital account is up only $5.6M.

The trust officer seems to have the opinion that the trust department's position would be much better than other creditors in the event the company went broke and unable to pay its debts. His reasoning is that the directors of the cemetery have the authority to make and authorize the investments; however, the trust agreement specifically states that the trustee has the right to refuse to accept the investments if they do not conform to the prudent man rule or are not in accord with the provisions of the state statutes. The above reasoning in the examiner's opinion does not seem to be sound in view of the bank permitting the owner to use approximately 80 per cent of the money (continued)

Examined Close of Business 5-16-60 Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments	Cost	Estimated value	Contingent liability	Potential loss
846	Tstee UA - [redacted] (continued)				

in the [redacted] for the owner's purely speculative purposes. In the event of litigation it would be hard for the bank to convince the court that its judgment was sound in being a party to the use of nearly 80 per cent of the funds in the perpetual care account. Statement of the [redacted] dated 7-31-59, by its auditor shows:

Cash	5.2	CL	181.5
AR-Cemetery lots	172.7	OL	137.9
AR-interment	34.9	Total	319.4
AR-Mausoleum	11.8		
AR-misc.	11.3	Def. income on installment sales	145.4
NR	21.0		
Escrow	.2		
Due from trust fund	20.4	Pfd. cap.	9.0
		Com. cap.	9.0
FA 387.6		Surplus	79.0
Depr. 113.2	274.4	Total cap.	97.0
OA	9.9		

$561.8M

$32.3M of AR appears to be due from affiliated companies; $80.8M of CL is due the perpetual care fund, and $24.5M and mortgage bonds of $99M in the OL are to [redacted] the sole owner of the company. Net sales were $260.5M on which a net loss of $6.6M was sustained; gross profit was $189.3M, operational expenses $186.7M; other income $41.4M ($39.3M from trust fund), and $44.4M is profit realized in current period on sales in previous years.

Refer to "Other Possible Liabilities in Fiduciary Accounts" listed elsewhere in the report in connection with the above trust account #846.

99 Tstee UA - [redacted]

Under the instrument, all investments require the written approval of [redacted] No approval is on file for the following investments:

Date Purchased	Description	Cost	Estimated value	Contingent liability	Potential loss
3-16-60	$5M PV City of Pulaski, Tennessee, Waterworks and Sewer Improvement bonds, 4.10%, due 12-1-82	5,073.91	5,073.91	5,073.91	
3-29-60	$20M PV Shelby County, Tennessee School, 3½%, due 3-1-81	20,000.00	20,000.00	20,000.00	

Examined Close of Business 5-26-60 Number 15412

OTHER POSSIBLE LIABILITIES IN FIDUCIARY ACCOUNTS

This schedule includes contingent liabilities and potential losses not detailed elsewhere in this report. The nature of these liabilities precludes their display in other specific schedules. The comments include, where pertinent, date of appointment, amount of original corpus, date of last accounting, investment powers, and other essential information.

Trust number	Fiduciary capacity, description, and comments	Inventory or cost value	Estimated value	Contingent liability	Potential loss
	Failure to Obtain Trust Corpus				
846	Tstee UA - [redacted]	80,752.08			80,752.08
	Other contingent liabilities and potential loss are assigned to subject account in the schedule of "Nonconforming Assets Purchased" to which attention is called. This liability has been decreased less than $600 since previous examination when similarly scheduled.				
	The trust is a [redacted] fund, the establishment of which, to the extent of 25 per cent of the sale price of the lots, is required by law. In connection with the deposit of funds by the [redacted], the instrument provides:				
	"It is further agreed that as and when lots are sold by ----, that it will deposit in such an account with the Nashville Bank and Trust Company as a trust fund 25 per cent of the sale price when and as collected ----, and the perpetual care fund can only be withdrawn upon joint order of the Nashville Bank and Trust Company and the ----."				
	The last FS of the concern, dated 7-31-59, is shown elsewhere in the report; reflecting that $80.8M is due the trust fund and that amount is used at this examination. The amount currently shown represents 25 per cent of the purchase price of lots that is to be set aside in the [redacted] fund as required by law. The retention of these funds and the use in the operation of the cemetery are in direct conflict with the agreement and the provisions of the law.				
	In October, 1956, the company gave its unsecured note of $50M to hold in the trust department to offset some of the deficiency shown above; reduced to only $43M in the interim with no payments having been effected since previous examination. The examiner sees no improvement in the transaction, and the contingency would be the same, handled either way. This appears to serve no worthwhile purpose; however, the trust officer stated that the bank receives a commission on this asset in handling the trust, whereas no commission would be made if not carried on the books. This account has been handled in an unsatisfactory manner for several years. It is strongly recommended that a definite plan be considered whereby the potential loss can be materially reduced.				
	(continued)				

Examined Close of Business 5-16-60

Number 15432

OTHER POSSIBLE LIABILITIES IN FIDUCIARY ACCOUNTS

This schedule includes contingent liabilities and potential losses not detailed elsewhere in this report. The nature of these liabilities precludes their display in other specific schedules. The comments include, where pertinent, date of appointment, amount of original corpus, date of last accounting, investment powers, and other essential information.

Trust number	Fiduciary capacity, description, and comments	Inventory or cost value	Estimated value	Contingent liability	Potential loss
	Failure to Obtain Trust Corpus				
846	Trustee UA - [redacted] (continued)				
	The net reduction since the previous examination is of little import, and the assigned classification is believed to be fair and reasonable under the circumstances. The management should exert aggressive efforts to collect the delinquency and not condone the withholding of money that legally belongs in the possession of the trustee. The trustee has apparently been negligent in handling this account and not collecting the money that legally belongs in the [redacted] fund. In the event of financial difficulty or bankruptcy of the company, the bank may be held liable and the loss would be substantial.				

Form 90 Revised 7-1-39

TCT 5

Examined Close of Business 5-16-60

Number 15432

TRUST DEPARTMENT

REPORT OF EXAMINATION-CONFIDENTIAL SECTION

NASHVILLE BANK AND TRUST COMPANY

NASHVILLE, DAVIDSON, TENNESSEE

Federal Deposit Insurance Corporation District 6 FDIC Sub-district 14 Federal Reserve District 6

Examination Commenced Two-fifteen O'Clock P. M. on Monday, May 16, 1960

Examination Completed Five O'Clock P. M. on Thursday, June 2, 1960 (Holiday intervening)

Date of Last Trust Department Examination by FDIC April 6, 1959 By State Authority December 7, 1959

Daily Opening Business Hour of Institution Nine Daily Closing Hour Two-Closed on Saturday

Men Necessary to Start Trust Examination Eight to Ten

Examiners	Hours inside trust department	Hours outside trust department	Examiners	Hours inside trust department	Hours outside trust department
Refer to page A-2.					
			Total working hours		

CONCLUSIONS AND RECOMMENDATIONS

1. The trust department management should be accorded a rating which must be adequately supported in the examiner's comments. Supporting comments may include, if applicable, reference to any of the following considerations: (a) present general condition of department; (b) outstanding problems, progress made in their solution, and examiner's opinion of ability of trust officials to solve these problems; (c) detrimental domination; (d) technical ability and experience of management, adequacy of records, and efficiency of internal operations; and (e) other pertinent factors.
2. The following should receive comment, if relevant and not covered in open section of report: (a) confidential information relative to pending litigation; (b) litigation settled and surcharges paid since last examination; (c) confidential data on existing contingent liabilities; and (d) other important matters.
3. The scope of the present examination should be indicated as well as unusual methods or systems employed by the institution.

No change is made in the management rating of FAIR. This department has two trust officers with Mr. Parker in charge; however, the over-all operation of the department leaves much to be desired, and there appears to be little co-ordination of efforts of officers and employees, consequently, the bank absorbed a loss of $2,450 in an overissue of stock since the last examination. Other losses were sustained because the bank had been overcharging an account for years, and a rebate was in order; these are described in some detail in an attachment to the "Officers Trust Questionnaire." The management is believed subject to severe criticism in the handling of the investments in the [redacted] account, and any improvement in other contingent liabilities is more than offset by the additional amount shown in the above account; these are new purchases since the last examination. Concrete and definite recommendations have been made under "Conclusions and Recommendations," and the over-all criticism of the department was thoroughly discussed with President Hackworth. The latter seems to be highly disturbed by the handling of the affairs of the [redacted] fund, and he stated that steps would be taken to protect the bank's interest.

For years contingent liabilities have been set up against the [redacted] accounts (4). The book value of these accounts is $53,743.20 and the investments have a market value of about $160,000. The stocks in question (Massachusetts Investors Trust, Certificate of Beneficial Interest) were purchased in 1935 and 1936 and were made with the knowledge of former President [redacted], who died in October, 1942; being the trustor, he never did give a written approval, consequently, contingent liabilities (continued)

A

Examined Close of Business 5-26-60 Number 15332

CONCLUSIONS AND RECOMMENDATIONS (continued)

have been disclosed at every examination. The beneficiaries involved are relatives of [redacted] and the [redacted] consequently, any loss is so remote (under the circumstances) that the accounts are eliminated as contingent liabilities in this examination.

Refer to the commercial department report for surety bond coverage, which is considered satisfactory.

Examined Close of Business 5-16-60 Number 15412

TRUST COMMITTEE, OFFICERS, AND EMPLOYEES

List alphabetically by groups all members of the trust committee(s), other directors actively interested in department, trust officers, and principal employees of department and indicate titles. Comment upon each individual insofar as facts and familiarity of examiner with situation warrant. If opinions cannot be formed or reasonably substantiated, so state. In comments indicate (a) individuals who dominate policies and extent, character, and effects of such domination; (b) capabilities of each individual with reference to his duties and responsibilities, past trust experience, and amount of time devoted to the department; (c) reputation in the community of each individual, approximate age, and other business affiliations or profession; (d) individuals with whom condition of the department was discussed at this examination; (e) individuals who apparently furnish most complete and accurate information and those who seem reticent or unwilling to inform examiner of the facts; (f) individuals who appear to use the trust department for self-serving purposes; (g) individuals who are known to have embezzled or otherwise criminally misused funds of any corporation, partnership, or individual. Show at end of the schedule aggregate number and salary of minor employees. Salaries should include all bonuses or pensions paid by institution.

Name and comments	Att.	Salary
EXECUTIVE COMMITTEE		
Cheek, Robert S. - Director		
Cheek, Norman - Director		
Hackworth, Warter S. - President		7,500.00*
Hill, H. G., Jr. - Chairman of Board		450.00*
Jakes, J. W. - Vice President - Director		6,525.00*
McNeilly, W. W. - Vice Chairman of Board		3,750.00*
Thweatt, L. P. - Director		
Refer to confidential section of the commercial department report for information concerning the above named individuals.		
RESEARCH COMMITTEE (Officers' Committee)		
Jakes, J. W. - Vice President - Director		
Parker, Fitzgerald S., Jr. - Vice President and Trust Officer		12,000.00
Age fifty-four; connected with subject institution for the past thirty-four years; has been in charge of the trust department for the last fourteen years. He is believed to have above-average ability, but he apparently has not delegated responsibility to his junior officers, and the trust operation is handled in a somewhat haphazard manner. He appears anxious to correct criticisms but is reluctant to follow them up with higher officials. Inherited some of the contingent liabilities, but he is primarily responsible for others that have occurred in the interim. Special reference is made to the trust account of [redacted] that is being handled in a loose and dangerous manner; it has retrogressed rather than improved under the supervision of Trust Officer Parker. Personal or social affiliation may be a factor.		
Thompson, Overton, Jr. - Vice President and Trust Officer		10,000.00
Age about fifty-five. He has been connected with subject bank since June, 1946; a former practicing attorney; makes a good impression; regarded as satisfactory in present position and duties; probably has the ability to assume additional responsibility if given the opportunity.		

IN UNITED STATES DISTRICT COURT
INTERVENOR'S EXHIBIT No. 20

64A1720
100
311/125

NASHVILLE BANK AND TRUST COMPANY

REPORT OF EXAMINATION

Regular

FDIC District 6 Certificate Number 15412

NASHVILLE BANK AND TRUST COMPANY

Nashville Davidson Tennessee

Examiner-in-Charge J. A. Parnell Examined Close of Business September 11, 1961

Examination commenced 2:15 P M., on September 11, 1961 Closed 5 P. M., on September 29, 1961

THIS REPORT OF EXAMINATION IS STRICTLY CONFIDENTIAL

This report of examination has been made by an examiner appointed by the Board of Directors of the Federal Deposit Insurance Corporation for use in the supervision of the bank. This copy of the report is the property of the Federal Deposit Insurance Corporation and is furnished to the bank examined for its confidential use. Under no circumstances shall the bank, or any of its directors, officers, or employees disclose or make public in any manner the report or any portion thereof.

The information contained in this report is based upon the books and records of the bank, upon statements made to the Examiner by directors, officers, and employees, and upon information obtained from other sources believed to be reliable and presumed by the Examiner to be correct.

It is recommended that each director, in keeping with his responsibilities both to depositors and to shareholders, thoroughly review the report. In making this review, it should be kept in mind that an examination is not the same as an audit, and this report should not be considered to be an audit report.

ERLE COCKE, *Chairman*
BOARD OF DIRECTORS

FEDERAL DEPOSIT INSURANCE CORPORATION

531-32

...mined Close of Business 9-11-61 Number 15412

CONCLUSIONS AND RECOMMENDATIONS

Internal Routine and Controls (continued)

a sizable volume of securities are held, reportedly because of lack of cost figures, which have been placed neither on the records nor under joint vault control. Files indicate that a large portion of these assets have been continued in such condition for upward of six weeks. Moreover, with virtually no independent audit activity in effect in the department, there is no follow-up of vault withdrawal tickets to determine receipt of proceeds or other disposition of the securities withdrawn. It is urged that the audit activity accorded the department be substantially broadened and intensified, and it is regarded as essential that all securities be placed on the records and under vault control as early as possible. This can be accomplished through use of nominal values, if necessary, with subsequent adjustment to the desirable cost figures. -

W. Sidney West
Examiner

By: C. M. Dunn By L.B.
Supervising Examiner

CERTIFY that this report of examination has been carefully proof read and that all schedules have been proved and found correct.

[illegible signature]
Chief Clerk

Examined Close of Business. 9-11-61 Number 15412

CONCLUSIONS AND RECOMMENDATIONS

Loans and Discounts

Scheduled on page 7-a and continuations are classified, delinquent, and other extensions listed for the reasons indicated. Loans subject to classification reflect a substantial increase since last examination, with $608,469.31 classified Substandard, $39,349.90 Doubtful, and $79,438.75 Loss. The severity of classifications is emphasized by the disproportionate amount classified Loss, although the total of extensions criticised may not be regarded as unduly excessive when compared with the entire account. It is thought that the management and the board of directors need to make concerted efforts to improve the quality of these assets, and suggestions which should prove helpful in this regard are included in the classified loan schedule.

Total overdue paper in the amount of $770,371.83 represents a slight increase as compared with the last examination report; however, after consideration is given to the additional volume of loans, some improvement is reflected in this regard. The total of these assets remains sufficiently high to warrant closer following of maturities so that overdue paper may be held to a minimum.

Current written credit information on borrowers continues to be lacking in many instances, necessitating the scheduling of numerous lines because of this deficiency. These data are regarded as being indispensible to a sound lending program, and it is suggested that current information be secured and placed in the bank's files.

The over-all credit program appears to be top-heavy when comparison is made between lending officers and those responsible for collections. The management and the board of directors might well give consideration to making changes whereby this apparent undesirable situation would be corrected.

Trust Department

Potential losses in this department totaling $236,100 in contingent liabilities of $617,276 are scheduled on page 10-a. Detailed information of trust activities is incorporated in the attached report, which should be scrutinized closely, and the recommendations contained therein should be accorded appropriate consideration and action.

Fixed Assets

These assets, less reserves, are carried on the bank's books at values aggregating approximately 40 per cent of the total capital account. In view of this rather high fixed asset position, a more accelerated depreciation program would seem to be advisable.

Taking the rather large fixed asset position into consideration, along with the volume of criticised loans which depletes a large portion of the valuation reserve, and the fact that deposit volume has grown substantially, it would appear that the sale of new stock, with appropriate premium, would be desirable.

Other Real Estate

One parcel of other real estate has been acquired since the last examination and is carried at $39,731.34; classified Substandard. Details are recorded on page 8-b. The nature of this type of asset does not qualify it as suitable for bank investment.

Securities

Stocks with a book value of $11,641.20 are classified Substandard. As in the case of other real estate, stocks are considered speculative investments. Consideration should be given toward improvement of the portfolio.

Form 56 Revised 1-1-37

Examined Close of Business 9-11-61

TC-

Number 15412

CONCLUSIONS AND RECOMMENDATIONS

Advances to Trust Department

Included in Substandard Classification and scheduled on page 9 are overdrafts in the amount of $8,366.08, representing advances by the commercial department to the trust department. Further information regarding these assets will be found in the attached trust report.

Internal Routine and Controls

Many of the bank's records are considered outmoded with procedures obsolete. These old-fashioned records and methods cause needless hours of laborious effort on the part of subordinate officers and employees. It is thought that numerous operations as now performed could be changed to more modern ways without undue expense and, certainly with considerable advantage to the institution.

Emergency Preparedness Measures

The bank has not formulated an emergency preparedness program to provide for the protection of personnel, continuity of management, reconstruction of essential records, and alternate headquarters from which the bank could operate in the event of an emergency. It is suggested that the board of directors give consideration to formulating and putting into effect such plans.

Disposition of Doubtful and Loss Classifications

All Loss Classifications were charged off during the examination except the line of [redacted] any amount remaining uncollected on this item is to be charged off at the end of the calendar year. No provision was made for Doubtful Classifications.

J. A. Parnell
Examiner

By: C. M. Dunn
Supervising Examiner

I CERTIFY that this report of examination has been carefully proof read and that all schedules have been proved and found correct.

N. E. Pasqual
Chief Clerk

TEXT IS POOR

Form 56 Revised 1-15-52 TC-7

Examined Close of Business 9-11-61 Number 15412

SUMMARY OF CLASSIFICATIONS

Substandard classification is defined as: Book assets or portions thereof not classified as Doubtful or Loss and which involve more than a normal risk due to the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted in the examiner's comments. These assets should be given special and corrective attention, for example, by obtaining suitable reductions in amount, additional security, more complete financial data concerning the obligor's condition, or other such action as the specific circumstances may require. Doubtful and Loss classifications are self-explanatory. Assets classified Loss and 50% of assets classified Doubtful should be eliminated.

Description	Gross Classifications (Before deduction of valuation reserves, if any)			Net Classifications (After deduction of valuation reserves)		
	Substandard	Doubtful	Loss	Substandard	Doubtful	Loss
Securities	11,641.20			11,641.20		
Loans and discounts	608,469.31	39,349.90	79,438.75			
Other real estate	39,731.34			39,731.34		
Other assets	8,366.08			8,366.08		
	668,207.93	39,349.90	79,438.75	59,738.62		

Note: The following statement shows valuation reserves, other than those for fixed assets, not reflected in the above computation.

Valuation reserve for loans and discounts - $238,159.63.

CAPITAL ACCOUNT ANALYSIS

Capital Account	Rate	Date issued	Maturity	Original amount	Retirable value	Par	Number of shares	Amount
Common - without double liability						100	16,333	1,633,300.00

Total capital stock, notes, and debentures		1,633,300.00
Surplus		450,000.00
Net undivided profits	1,617,103.02	
Reserves for contingencies	226,015.27	
Other segregations of capital account		1,843,118.29
Total book capital account		3,926,418.29
Determinable sound banking values of assets not shown on books (Page 10)		
Subtotal		3,926,418.29
Less: (a) Assets classified Loss (Net)		
(b) Differences in verified accounts and liabilities not shown on books	5,237.53	5,237.53
Capital account after deducting (a) and (b)		3,921,180.76
(c) Fifty percent of assets classified Doubtful (Net)		
Adjusted capital account after deducting (a), (b) and (c)		3,921,180.76

Adjusted capital account as percent of quarterly average of total assets for the past year ($41,337,200): 9.4 %.

The amounts shown in the following calculations are not reflected as deductions in the adjusted capital analysis. However, they should be taken into consideration, together with any need for reserves against the volume of classified assets shown in the SUMMARY OF CLASSIFICATIONS, before diverting any of the net profits of the bank to salary increases, bonuses, or payment of dividends.

Securities depreciation not reflected in above analysis $1,147.34

Potential loss in Contingent Liabilities not classified Doubtful or Loss $236,100.00

Summary of Classifications
Capital Account Analysis

1297

TEXT IS POOR

Form 56, Revised 8-15-54

Examination [illegible] of Business 9-11-61

TC—15

Number [illegible]

LOANS AND DISCOUNTS

LOANS SUBJECT TO CLASSIFICATION—OVERDUE LOANS

Substandard classification is defined as: Loans or portions thereof not classified as Doubtful or Loss and which involve more than a normal risk due to the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted in the examiner's comments. These loans should be given special and corrective attention: for example, by obtaining suitable reductions in amount, additional security, more complete financial data concerning the obligor's condition, or other such action as the specific circumstances may require. Doubtful and Loss classifications are self-explanatory. Loans classified Loss and [illegible] of loans classified Doubtful should be eliminated.

Recapitulation of overdue loans	Amount
Class A—Loans on which interest has been overdue for six months or more and is unpaid	25,486.68
Class B—All other overdue loans which have passed maturity or on which installments or interest payments have been overdue for one month and are unpaid	744,885.15
Total overdue loans	770,371.83

Percentage of Overdue Loans to Total Loans of 19,692,091.56 is 3.9 %.
Amounts shown are before deduction of valuation reserves, if any, except where reserves (totaling $ --) have been specifically allocated to individual loans.

This schedule includes all loans of every borrower, any portion of whose indebtedness to the bank is subject to a Substandard, Doubtful or Loss classification, with an explanation as to why the classification is accorded. The schedule also includes all overdue loans, either listed individually by name of borrower or grouped together in total, irrespective of whether subject to classification. Any loan or portion thereof secured by real estate the acquisition of which by the bank appears necessary and unavoidable, is designated as potential other real estate by the abbreviation, PORE.

Amount / Maker, endorsers, security, and comments / Due date of overdue loans	Overdue	Substandard	Doubtful	Loss
315,000.00		415,[illegible] 390,000 - 310,000.00		
[redacted]				
Unsecured; not endorsed or guaranteed by any of the principal stockholders. $5M was paid during the examination which is not classified. FS, dated 3-31-61, shows:	2-29-60	12-31-58		
Cash 19.4 CL 746.7	537.0	844.4		
AR 364.4 Capital 200.5	200.5	200.0		
Inventory 524.7 Surplus 25.8	9.6	72.4		
CSV insurance 5.4				
OA .5				
FA, net 50.1				
Deferred charges 8.5				

OSTEN

Firm is about two and one-half years old, and until this past year, operated at a deficit; however, a profit and loss statement for the year, ending as of the above statement, showed a profit of $44.5M before taxes, but the capital account does not reflect all of the declared profit. In addition to the above the bank holds a substantial total of stock of the company on personal loans of the firm's officers, some of which are adversely classified. Line has been reduced about $80M since the last examination and is at present on a $5M monthly reduction basis; however, it is anticipated that if the need arises, another substantial advance will be made. The management admitted that the bank put the firm in business but claims that it is now on sound footing and making progress. This seems to be true to a certain extent, but the line is considered a capital advance with loss potentialities.

Amount / Maker, endorsers, security, and comments	Overdue	Substandard	Doubtful	Loss
27,500.00		N 27,500.00		
[redacted]				
Secured by 431 shares of [redacted] Co., and 425 shares of [redacted]				
(continued)				

...56 Revised 6-1-37 TC-36

...amined Close of Business 9-11-61 Number 15412

REPORT OF EXAMINATION-CONFIDENTIAL SECTION

NASHVILLE BANK AND TRUST COMPANY

NASHVILLE, DAVIDSON, TENNESSEE

...eral Deposit Insurance Corporation District 6 FDIC Sub-district 14 Federal Reserve District 6

...mination Commenced Two-fifteen O'Clock P. M. on Monday, September 11, 1961

...mination Completed Five O'Clock P. M. on Friday, September 29, 1961

... of Last Examination by FDIC May 16, 1960 By State Authority February 13, 1961

...y Opening Business Hour of Bank Nine Daily Closing Hour Two (Closed on Saturday)

...ers With Separate Cash Eleven Men Necessary to Start Examination Seventeen

Examiners	Working hours in bank	Working hours outside bank	Examiners	Working hours in bank	Working hours outside bank
Refer to page A-1.					
			Total working hours		

CONCLUSIONS AND RECOMMENDATIONS

President Hackworth continues as the executive officer in charge of the bank's operations. Except for the fact that he sometimes "goes overboard" in his efforts to gain new business and allows junior officers to influence his better judgment when considering poor applications for credit, he is thought to be competent. He displayed deep concern regarding the large Loss Classification accorded the [redacted] line, and it is thought, as a result of this loss, that he will not be persuaded by junior officers so easily in the future. Apparently, he desires to make changes in the many antiquated methods followed; however, there are so many "old heads" around him who oppose any change, that he is reluctant to exercise authority in this respect. Also, he appears to be in favor of selling new capital stock, but some of the others referred to above are opposed to this idea.

Asset classifiations, for the most part, are covered by the valuation allowance and are not considered unduly large for a bank of this size. The earnings ratio and retention of earnings for the last calendar year have been favorable. These factors, coupled with a capital-assets ratio of 9.4 per cent, and the over-all condition of the bank being generally acceptable appear to justify continuation of a SATISFACTORY management rating.

Market values on municipal securities were obtained from Mid-South Securities Company, Nashville, Tennessee.

A satisfactory vacation program appears to be in effect.

J. A. Powell
Examiner

By: L. M. Dunn By [illegible]
Supervising Examiner

...CERTIFY on honor that this supplemental report of examination has been carefully proof read and that all schedules have been proved and found correct.

[illegible]
Chief Clerk

CONCLUSIONS AND RECOMMENDATIONS

Contingent Liabilities and Potential Losses

With substantial correction, since the previous examination, in one large problem situation, contingent liabilities have been sharply curtailed to $617,300. At this level, however, they are regarded as continuing relatively high as are also the potential losses which reflect a broad expansion to $236,100.

Reference to the schedules "Nonconforming Assets Purchased" and "Other Possible Liabilities in Fiduciary Accounts" will reveal that all of the potential losses and more than 75 per cent of the contingent liabilities relate to the administration of account #T846 which has been a long-standing problem situation. The management now expresses substantial agreement with the views reflected over the years in successive reports of examination and advises that a corrective program has been established. This program, which contemplates bringing all real estate mortgages into conformance and replacing the objectionable corporate stock and debentures with orthodox trust investments, is regarded as well-founded. It appears, however, from the extended period that has elapsed with only small progress, that either its implementation has been quite deliberate or accomplishment of the corrections involve even more serious problems than are indicated. Accordingly, it is urged that these matters be determined and the program pushed to an orderly but prompt conclusion.

The remaining contingent liabilities develop out of one parcel of litigation and sixteen investments which have been acquired without the formal approvals of advisers, holding such authority, and cotrustees. These transactions, requiring the approvals of others, would seem easy to correct; hence, it appears unfortunate that five of those in the current schedule are repeated from the previous examination and include two that are in need of the approval of an individual connected with the institution.

Personal Trust Accounts Subject to Special Comment

Account #T892, which reflects similar conditions and is somewhat related to trust #T846 discussed above, is regarded as particularly worthy of attention. The decision of the management to require replacement of the listed holdings with orthodox trust investments is regarded as sound, and it is recommended that it be effectuated as rapidly as is reasonably practical. Account #T890 represents a long-standing problem which has been substantially remedied but appears in need of two further steps to effect complete correction.

Fifty-two sizable trusts are scheduled as a result of concentrations of certain investments and/or types of investments. Conditions of this nature are thought to require more than normal diligence and supervision, and most of the accounts so scheduled are receiving careful consideration. It is urged that such care be continued and broadened to include all situations of this type.

Eleven trust accounts are listed which have been carried for considerable periods without review or analysis, and fifteen agencies are shown on which the files contain no formal agreements. These accounts are obviously in need of attention as indicated.

Overdrafts and Advances

These holdings, aggregating more than $102,000, are detailed in the appropriate schedule. Although they are largely of current dates, the total is regarded as excessive. Two, principally because of their apparently slow workout nature, are classified Substandard.

Internal Routine and Controls

Assets are held under joint vault control, and a record is maintained of all securities deposited or withdrawn from the vault. Reference to page 6-a, however, will reveal that
(continued)

Form 60 Revised 7-1-39

TCT—9

Examined Close of Business 9-11-61

Number 15112

NONCONFORMING INVESTMENTS PURCHASED

Displayed in this schedule are investments, including real estate loans, not conforming to provisions of State laws or governing trust instruments, which were purchased by institution for investment of trust funds. The amount of contingent liability set forth includes principal, loss of income, and other possible charges for which institution may be responsible. The date purchased is noted in the supporting comments which follow each item. This schedule does not include (a) investments specifically authorized or approved in writing by all interested parties or by a court of competent jurisdiction, (b) instances where adequate indemnification agreements have been obtained from all interested parties, and (c) investments conforming at date of purchase but presently nonconforming.

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, and description and comments.	Cost	Estimated value	Contingent liability	Potential loss
2016	Estee UA				
	The account is a [redacted] fund established under an agreement, dated 8-16-40, which was recognized in Federal bankruptcy proceedings. Refer to additional contingent liabilities and potential loss estimated in this trust shown under "Other Possible Liabilities in Trust Accounts."				
	Under the instrument, investment powers are vested entirely in the board of directors of the [redacted] or a committee appointed by that board. The agreement provides, however, "It is further understood that all of the investments when purchased shall be delivered to the Nashville Bank and Trust Company, Trustee, but the Nashville Bank and Trust Company, Trustee, will have the right to refuse to accept or receive any investments which are not in strict accord with the provisions of the Statutes of Tennessee." Instrument further authorizes subject institution to demand replacement of any such investments and, if this is not accomplished within ten days, to sell the investments at the market price and hold the directors of the [redacted] (who voted for the purchase) personally liable.				
	The instrument authorized investments in RE mortgages up to 60 per cent of the fair market value of the pledged property. This provision, however, was liberalized by Chancery Court action on 11-6-52, to permit RE mortgage advances up to 75 per cent of the appraised value of the property providing those exceeding 60 per cent bore an interest rate of at least 6 per cent and were fully amortized by monthly payments over a period not exceeding twelve years. The decree further provided that mortgages which failed to comply with those provisions would become conforming when reduced to 50 per cent of the appraised value of the pledged property. The following mortgages are regarded as lacking in conformance with the above provisions.				
	[redacted]	11,843.13	11,843.13	11,843.13	
	Dated 6-30-55 for $15M (payable over a period of 20 years) at 5 per cent on property, appraised at $20M. Loan originated at 75 per cent appraised value, but rate and maturity were nonconforming, and the balance has not been reduced to 50 per cent of the value of the property.				
	[redacted]	10,275.34	10,275.34	10,275.34	
	Dated 5-16-53 for $13M (payable over a period of 12 years) at 5 1/2 per cent on property, appraised at $19.6M. Loan originated at about 63 per cent of appraised value, but rate was nonconforming, and the balance has not been reduced to 50 per cent of the value of the property. Moreover, inasmuch as this loan has been assumed by the (continued)				

Form 60 Revised 7-1-59 TCT—10

Examined Close of Business 9-11-61 Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
[illegible]	[illegible] VA (continued)				
	[redacted] (continued) owner of the cemetery, it would also appear to involve an element of self-dealing.				
	[redacted] Dated 6-1-58 for $20M (payable over a period of 15 years) at 5 1/2 per cent on property, appraised at $29.5M. Loan originated at about 68 per cent of appraised value, but the rate was nonconforming and the balance has not been reduced to 50 per cent of the value of the property.	17,113.27	17,113.27	17,113.27	
	Under present statutes, which would appear to apply here, investments by the directors of the [redacted] would be under the Prudent Man Rule. The following investments, which have been accepted by subject institution in the perpetual care fund, are regarded as beyond the pale of prudence. Moreover, as will be observed from the comments, some appear to involve an element of self-dealing on the part of the directors of the [redacted] with such relationships being fully known to subject institution at the time of acceptance of the investments.				
	[redacted] 350 shares of 5 per cent, Preferred Stock B Acquired from 10-7-55 to 2-2-56.	35,000.00		35,000.00	35,000.00
	150 shares of common stock Acquired on 8-22-53.	15,000.00		15,000.00	15,000.00
	Debentures, 5 per cent, due 1964 and 1965 Acquired from 12-22-53 to 1-7-55.	155,250.00		155,250.00	155,250.00

Statement of the company as of 6-30-61, reflects:

C	28.1	AP	10.9
AR	44.0	NP	127.3
NR	3.7	REM.	48.8
Loans and disc.	560.1	5% Deb.	158.0
2nd mtges.	23.4	6% Deb.	162.8
RE - for sale	116.7	Acc. Exp.	3.5
FA	12.4	TL	511.3
OA	7.7	Deferred Inc.	22.7
			534.0
		Pfd. St.	130.0
		Com. St.	112.0
		Sur.	20.1

$796.1M

Operations for the past year reflected a net loss of $11.8M after gross income of $143.8M.

Company was formed in 1953 for the financing of purchases of [redacted] lots, but from the surplus accumulated, it is clear that operations have not been reasonably productive. Moreover, the statement reveals that, although financing is continuing, the operations also include RE (continued)

Nonconforming Investments Purchased

Form C-1 Revised 7-1-59

Examined Close of Business 9-11-61

Number 15412

TCT—10

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
[illegible]	[illegible] UA (continued)				
	speculation. Receivables include a substantial volume originated by the same cemetery as the perpetual care fund as well as others controlled by the same owner. Management advises that the operation has been curtailed and is to be liquidated, resulting in removal of the investments from the trust. With an over-all reduction of $2,750 (in the debentures) since the previous examination, however, it appears that little is being accomplished.				
	The debentures are worthy of particular consideration. The indenture under which they were issued (in 1954 and 1955) provided that full security in the form of RE mortgages and/or [redacted] lot purchase contracts would be maintained at all times in the control of an individual trustee. From the monthly collections on the pledged notes interest requirements and 1/120th of the principal was to be held by the individual trustee and applied toward payment of the debentures. Had this procedure been carried out, a much more substantial reduction would have been accomplished on the maximum volume of $193,333 which was reached on 1-7-55. From the records, however, it appears that the individual trustee resigned in mid-1955, and the procedure under the indenture was abandoned -- recent audits of the company make reference to notes pledged on the debentures. Management advises that the trusteeship is to be re-established, but it appears that subject institution was seriously derelict in its duties in permitting this condition to continue for such an unwarranted period without action to protect the interests of the perpetual care fund. Under these circumstances the debentures are regarded as unsecured and considered as a potential loss. An unsecured note of the company, held by the commercial department of the institution is classified Loss.				
	A recent attorney's opinion, with reference to the above stock, reflects the following comments, "This corporation is also a business enterprise of ...., sole owner of the [redacted] Corporation, organized for the purpose, and being used for the purpose, of promoting the purchase of [redacted] lots. Such investment by the [redacted] Corporation is also illegal and subject to severe criticism as self-dealing. Aside from this, it is a speculative investment which in the opinion of the writer clearly is not a prudent investment of trust funds. -------It is the opinion of the writer that the Nashville Bank and Trust Company should require the [redacted] Corporation to replace this investment with one which complies with the Prudent Man's Rule."				
	Although the attorney takes the viewpoint that the debentures do not represent a clear violation, the above remarks, particularly those relating to self-dealing, would appear equally applicable to the (continued)				

Revised 7-1-59 TCT—10

Examined Close of Business 9-11-61 Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
[illegible]	Estes UA (continued)				
	debentures. Moreover, this situation appears further aggravated by failure of the institution to adequately service the investment.				
	[redacted] Inc.				
	1,500 shares of common stock Acquired from 7-21-59 to 2-4-60.	150,000.00	150,000.00	150,000.00	
	This company is a [redacted] corporation, organized for the speculative acquisition and development of land in that state. Its assets consist almost entirely of the land and some mortgages realized out of partial sales. Statement as of 12-31-60 lists debts of $379M (including RE mortgages of $300.7M) as compared with deferred income of $21.9M and capital of $151.6M. With reference to these holdings, a recent attorney's opinion states, "This investment appears to be a clear violation of the Prudent Man's Rule as a speculative investment. It represents an RE development in another state, [redacted] which exceeds the limits of caution for a trust investment --------. Perhaps it is intelligent and well chosen speculation, from which ultimate profit may be derived and the corpus increased, but the conclusion still seems inescapable that the investment is speculative - one not made with caution and to preserve the corpus of the trust fund."				
	The management advises that steps have been initiated to bring the foregoing mortgages into conformance and to effect complete elimination of the listed stocks and debentures and that the matters will be aggressively followed. It must be recognized, however, that the attorney's opinion from which the excerpts quoted above were taken, is dated 11-11-60, but relatively little in the way of corrections has been subsequently accomplished in a period of some ten months.				
	Sub-total			394,481.74	205,250.0
799	Estes UA				
	Investments require the written approval of an advisor. Approvals for the following holdings are not on file.				
	Date Purchased — Description				
	3-16-60 — $5M FV City of Pulaski, Tennessee, Waterworks and Sewer Improvement bonds, 4.10%, due 12-1-82	5,073.91	5,075.00	5,073.91	
	3-29-60 — $20M FV Shelby County, Tennessee, School, 3½%, due 3-1-81	20,000.00	20,000.00	20,000.00	

[illegible] Close of Business 9-[illegible]-61.   Number 15[illegible]2

PERSONAL TRUST ACCOUNTS SUBJECT TO SPECIAL COMMENT

Listed in this schedule are personal trust accounts which, for the reasons stated, appear to warrant special consideration.

Trust number	Fiduciary capacity and comments
T-[illegible]	see below

[illegible] UA

Account is a [redacted] fund which, through ownership of the cemeteries involved, appears to be related to account #T846. It will be observed that substantial contingent liabilities and potential losses have been estimated in the latter account under "Nonconforming Investments Purchased" and "Other Possible Liabilities in Fiduciary Accounts" in some of the same and similar investments. The corpus of this trust at $718.6M includes the following investments which appear to be of a speculative nature.

Description	Date Acquired	Shares	Cost	Total
(1) [redacted].	3-8-61	50	$5,000.00	
Common stock	3-24-61	150	15,000.00	$20,000.00
(2) [redacted] Inc. Note	7-7-61			340,000.00
(3) [redacted]	4-4-60	250	25,000.00	
Common stock	8-10-61	140	14,000.00	39,000.00
			Total	$399,000.00

(1) This company is a [redacted] corporation which was organized for the speculative acquisition and development of land in that state, and some of its stock is shown as a contingent liability in account #T846. An attorney's opinion with reference to the holdings in that account states, "This investment appears to be a clear violation of the Prudent Man's Rule as a speculative investment. It represents a real estate development in another state, [redacted], which exceeds the limits of caution for a trust investment."

(2) In the period from 6-9-60 to 1-13-61, the account invested $240M in all of the outstanding stock of [redacted] Inc., which was organized solely for the speculative acquisition and development of real estate in [redacted] ---- property adjoins that owned by the [redacted] Inc., which concern is discussed next above. The funds represented by the stock purchase ($240M) were used as a down payment in land purchases reported to have been at the $1,000M level with the property mortgaged for the difference. On 7-7-61 the [redacted] Inc., stock was exchanged for the $340M note of the [redacted] Inc., which concern is reported to have been organized solely for this purpose, and its assets are said to be confined to the land and other assets acquired in the transaction. Although the form of the investment has been changed, nothing has been added in the way of protection, and the basic purposes and conditions remain the same. It would seem that the comments shown under (1) above would also apply here.

(3) This is a small business investment company specializing in [redacted] financing. An attorney's opinion with reference to this stock, formerly held in account #T846, states, "Such stock is a minority interest in a speculative enterprise controlled by Mr. ---- When one disregards the corporate entity and looks to the facts, it is found that he and the [redacted] Corporation are identical. Hence, the fiduciary charged by law with making an investment has in this instance, as in certain others, dealt with itself. Not only does this investment violate the trust principle against self-dealing, but also it is speculative and does not comply with the obligation of the Prudent Man's Rule."

The principal difference between this trust and #T846 rests in the fact that in this account subject institution is not clothed with the responsibility of passing on investments ---- it merely accepts those selected or directed by the board of directors of the [redacted] or a committee chosen by that board. For this reason no contingent liability or potential loss is estimated at this time. The justification, under these circumstances, however, for permitting the name of the institution to be used with the substantial number of lot owners as holder of the perpetual care fund, appears to be highly questionable. Such a condition (continued)

PERSONAL TRUST ACCOUNTS SUBJECT TO SPECIAL COMMENT

...d in this schedule are personal trust accounts which, for the reasons stated, appear to warrant special consideration.

Trust number	Fiduciary capacity and comments
1492	Tstee UA (continued)
	would seem to establish not only a moral responsibility but one that could react highly detrimentally should the trust be substantially dissipated by losses. The management expresses agreement with this view and advises that steps have been directed toward complete replacement of the above holdings with orthodox trust investments. It is observed, however, that some of the above holdings have been placed in the account during the current year, after receipt of the attorney's opinion quoted in part above. The intention of the management to effect adjustment of this situation is believed well-founded and it is urged that the program be brought to an orderly but prompt conclusion.
390	Co-Tstee UW
	At the previous examination, this account was scheduled under "Other Possible Liabilities in Fiduciary Accounts" at which time a contingent liability was deemed to have existed in the amount of $838,156.91. Subject institution qualified along with three other individual trustees as designated by the instrument on 10-13-38; however, the executors of the estate (cotrustees in the trust) were permitted to continue administration of the estate until June, 1952. Moreover, after final settlement of the estate was filed at that time, the individual cotrustees were permitted to continue to hold the assets, and there was only a limited participation in administration of the fund by the corporate trustee. In an attempt to protect the corporate trustee against any liability out of this situation, a formal agreement was entered into by all cotrustees allowing for this action and further stipulating that should any investment be made without the approval of the corporate trustee, it should be held harmless with respect to any loss in the particular investment by the three individual cotrustees; however, this agreement has since been abandoned.
	Since the previous examination, the account has been improved to the extent that management has apparently received all of the assets belonging to the account and five of the seven trusts created by the will have been established on the books. The beneficiary of one of the remaining accounts died during the administration of the estate, and final accounting reflects distribution of these assets. The beneficiary of the other is reported to have died in September, 1960, and the assets were apparently distributed by the individual cotrustees prior to the time that all of the assets were obtained by the bank. This situation is to be investigated and proper release or receipts obtained.
	The changes in the value of the account during the period of administration reflect the following picture:
	Value of the assets at inventory — $379,517.02
	Value of the assets as of the last review on 3-7-61 — 866,328.37
	With these results, the account is removed from contingent liability. It would seem desirable, however, that a careful audit be conducted covering the period that the holdings were held by the individual cotrustees. The desirability of the audit and the above mentioned releases or receipts on the distributed assets by the private cotrustees are the primary reasons for the inclusion of the account in this schedule.

Examined Close of Business 9-11-61

Number 15412

TRUST DEPARTMENT
REPORT OF EXAMINATION-CONFIDENTIAL SECTION

NASHVILLE BANK AND TRUST COMPANY

NASHVILLE, DAVIDSON, TENNESSEE

Federal Deposit Insurance Corporation District 6 FDIC Sub-district 14 Federal Reserve District 6

Examination Commenced Two O'Clock P. M. on Monday, September 11, 1961

Examination Completed Five O'Clock P. M. on Friday, September 29, 1961

Date of Last Trust Department Examination by FDIC May 16, 1960 By State Authority February 13, 1961

Daily Opening Business Hour of Institution Nine Daily Closing Hour Two - Closed on Saturday

Men Necessary to Start Trust Examination Eight to ten

Examiners	Hours inside trust department	Hours outside trust department	Examiners	Hours inside trust department	Hours outside trust department
Refer to page A-2.					
			Total working hours		

CONCLUSIONS AND RECOMMENDATIONS

The trust department management should be accorded a rating which must be adequately supported in the examiner's comments. Supporting comments may include, if applicable, reference to any of the following considerations: (a) present general condition of department; (b) outstanding problems, progress made in their solution, and examiner's opinion of ability of trust officials to solve these problems; (c) detrimental domination; (d) technical ability and experience of management, adequacy of records, and efficiency of internal operations; and (e) other pertinent factors.

The following should receive comment, if relevant and not covered in open section of report: (a) confidential information relative to pending litigation; (b) litigation settled and surcharges paid since last examination; (c) confidential data on existing contingent liabilities; and (d) other important matters.

The scope of the present examination should be indicated as well as unusual methods or systems employed by the institution.

Management: The various officials and committee members are detailed on page B and B-1 with the principal officers being discussed there in detail. Reference is made to page C and continuations of the report of examination of the commercial department for individual discussion of the director members of the committees.

Management of the department is largely vested in Vice President and Trust Officer Parker who appears to have a good background and is regarded as well qualified for his position. There is some participation on the part of President Hackworth, but as a result of lack of training or experience in this field, his contribution is thought to be quite limited. Mr. Parker is supported in his administration of the department by the three committees, "Executive," "Research," and "Trust Investment," which are functioning actively and largely composed of capable members.

Since the previous examination, attorney's opinions have been obtained on the more serious problems of the department --- those related to accounts #T846 and #T890. With only minor exceptions, the opinions supported the views reflected over the years by successive reports of examination. In accordance with the contents of the applicable opinion, account #T890 has been largely corrected. Progress on account #T846, which is similar and somewhat related to account #T1492 (listed for special mention), however, has been slow and is principally confined to plans for the future. When adjustment, as now contemplated, is effected in these situations, an improvement in management rating will probably be justified. Until there has been more actual accomplishment, the management rating of FAIR is continued.

Scope of the Examination: All trust accounts with corpus of as much as $200,000 (according to the last valuation and analysis) were reviewed and analyzed with consideration of some smaller situations where such was indicated as desirable.

(continued)

A

In United States District Court
Intervenor's Exhibit No. 21

NASHVILLE, TENNESSEE
NASHVILLE BANK AND TRUST COMPANY

REPORT OF EXAMINATION

Regular

FDIC District 6 Certificate Number 15412

NASHVILLE BANK AND TRUST COMPANY

Nashville Davidson Tennessee

Examiner-in-Charge E. H. Short
State Examiner-in-charge C. Buford Dorris
Examined Close of Business October 15, 1962

Examination commenced 2:15 P. M., on October 15, 1962 Closed 4 P. M., on November 2, 1962

THIS REPORT OF EXAMINATION IS STRICTLY CONFIDENTIAL

This report of examination has been made by an examiner appointed by the Board of Directors of the Federal Deposit Insurance Corporation for use in the supervision of the bank. This copy of the report is the property of the Federal Deposit Insurance Corporation and is furnished to the bank examined for its confidential use. Under no circumstances shall the bank, or any of its directors, officers, or employees disclose or make public in any manner the report or any portion thereof.

The information contained in this report is based upon the books and records of the bank, upon statements made to the Examiner by directors, officers, and employees, and upon information obtained from other sources believed to be reliable and presumed by the Examiner to be correct.

It is recommended that each director, in keeping with his responsibilities both to depositors and to shareholders, thoroughly review the report. In making this review, it should be kept in mind that an examination is not the same as an audit, and this report should not be considered to be an audit report.

Erle Cocke, Sr., *Chairman*
Board of Directors

FEDERAL DEPOSIT INSURANCE CORPORATION

Form 56 Revised 1-1-37

TC—3

Examined Close of Business 10-15-62

Number 15412

CONCLUSIONS AND RECOMMENDATIONS

Emergency Preparedness Measures (Continued)

by the three Federal supervisory agencies. It is suggested that the management and the board of directors give serious consideration to an emergency preparedness program for the protection of personnel, reconstruction of essential records, alternate headquarters from which the bank could operate in the event of an emergency, and the continuity of management.

Disposition of Doubtful and Loss Classifications

No provisions were made during the examination for Doubtful Classifications. The Loss Classifications are to be charged off prior to the end of the current year if they are not otherwise eliminated, either by payment, endorsement, or the pledge of collateral that amply protects the bank.

E. H. Short
Examiner

By: G. E. Vinsonite
Supervising Examiner

I CERTIFY that this report of examination has been carefully proof read and that all schedules have been proved and found correct.

N. E. Pasqual
Chief Clerk

1311

Form 56 Revised 1-13-52

TC-7

Examined Close of Business 10-15-62

Number 15412

SUMMARY OF CLASSIFICATIONS

Substandard classification is defined as: Book assets or portions thereof not classified as Doubtful or Loss and which involve more than a normal risk due to the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted in the examiner's comments. These assets should be given special and corrective attention, for example, by obtaining suitable reductions in amount, additional security, more complete financial data concerning the obligor's condition, or other such action as the specific circumstances may require. Doubtful and Loss classifications are self-explanatory. Assets classified Loss and 50% of assets classified Doubtful should be eliminated.

Description	Gross Classifications (Before deduction of valuation reserves, if any)			Net Classifications (After deduction of valuation reserves)		
	Substandard	Doubtful	Loss	Substandard	Doubtful	Loss
Securities	11,641.20			11,641.20		
Loans and discounts	878,115.75	466,979.00	174,471.34	499,318.30		
Other real estate	40,048.00			40,048.00		
Other assets	11,526.34			11,526.34		
	941,331.29	466,979.00	174,471.34	562,533.84		

Note: The following statement shows valuation reserves, other than those for fixed assets, not reflected in the above computation.

None

CAPITAL ACCOUNT ANALYSIS

Capital Account	Rate	Date issued	Maturity	Original amount	Retirable value	Par	Number of shares	Amount
Common - without double liability						100	16,333	1,633,300.00

Total capital stock, notes, and debentures		1,633,300.00
Surplus		450,000.00
Net undivided profits	1,902,052.79	
Reserves for contingencies	226,015.27	
Other segregations of capital account		2,128,068.06
Total book capital account		4,211,368.06
Determinable sound banking values of assets not shown on books (Page 10)		
Subtotal		4,211,368.06
Less: (a) Assets classified Loss (Net)		
(b) Differences in verified accounts and liabilities not shown on books	5,262.27	5,262.27
Capital account after deducting (a) and (b)		4,206,105.79
(c) Fifty percent of assets classified Doubtful (Net)		
Adjusted capital account after deducting (a), (b) and (c)		4,206,105.79

Adjusted capital account as percent of quarterly average of total assets for the past year ($ 46,030,400): 9.1 %.

The amounts shown in the following calculations are not reflected as deductions in the adjusted capital analysis. However, they should be taken into consideration, together with any need for reserves against the volume of classified assets shown in the SUMMARY OF CLASSIFICATIONS, before diverting any of the net profits of the bank to salary increases, bonuses, or payment of dividends.

Securities depreciation not reflected in above analysis None

Potential loss in Contingent Liabilities not classified Doubtful or Loss 373,697.95

Form 56 Revised 8-15-54

TC—14

Examined Close of Business 10-15-62

Number 15412

LOANS AND DISCOUNTS
LOAN POLICIES

1. Indicate (a) extent of diversification of loan portfolio and general nature and character of collateral held; (b) to what general lines of industry or classes of borrowers loans are chiefly made.

(a) Approximately 10.5 per cent of loans are represented by consumer paper, and approximately 38.2 per cent are predicated on RE security. Loans secured by assignment of life insurance policies and stocks also make up a sizable portion of the portfolio.
(b) Loans are made chiefly to professional people, manufacturers, merchants, and other individuals; distribution appears satisfactory.

2. Comment upon procedure and describe duties and responsibilities of Board, Discount Committee, and loaning officers in connection with the establishment of lines of credit, and the making, authorizing and approving of loans.

Active officers grant loans to established customers without prior approval or authorization. Large and important applications are considered by the executive committee prior to disbursement of funds, and all loans are subsequently approved by the executive committee. Also the full board approves all advances at each quarterly meeting.

3. Describe and comment upon procedure followed by Board or Discount Committee in reviewing (a) overdue loans, (b) demand loans, and (c) important maturing loans.

Overdue loans are segregated and reviewed daily by the active officers. Demand and important maturing loans are discussed by the executive committee at regular meetings.

4. Are minutes of Board or Discount Committee complete as to both approvals and disapprovals of loans?

Complete as to approvals; no disapprovals noted.

5. Are loans to directors, officers, employees, and their interests, and to bank's affiliates specially acted upon by Board?

Yes

6. Does Board or Discount Committee review and appraise collateral periodically?

Yes

7. Is credit information (a) adequate, (b) current, (c) in sufficient detail, and (d) properly filed?

Current written credit information continues to be lacking on several important lines; refer to "Loans Listed for Technical Exceptions."

8. Interest rates on loans: Maximum 6 %; Minimum 4 %; Average 6 %. Comment, if necessary, on bank's system of penalties, commissions, and other charges on loans.

Minimum charge of $5 is in effect. Consumer paper is discounted at 5½ to 6 per cent.

9. Is it bank's policy to collect interest on loans at least every six months?

Yes

10. Does bank advance maturity of notes upon payment of interest without requiring formal renewal note or extension agreement?

Yes, in some instances; however, this is not a general practice.

11. Does bank as a general policy have prior understandings with borrowers as to amortization of long-term loans, loans of a capital nature, and real estate loans?

Yes, in most instances.

12. With regard to loans secured by real estate and chattels: (a) Are mortgages, trust deeds, and other such documents properly recorded and filed? (b) Are assigned insurance policies, satisfactory appraisals, tax receipts, and title policies or opinions available and in order?

(a) Yes.
(b) Satisfactory.

13. Real estate loans:

(a) Loans guaranteed in part by Veterans Administration.	838,451.31
(b) Loans insured under Title II or VI of National Housing Act.	15,758.03
(c) 100% Government-guaranteed loans;—i.e. combination VA-FHA.	
(d) Other loans secured by first liens on real estate.	7,062,232.21
(e) Loans secured by junior liens on real estate.	40,400.00
Total real estate loans	7,956,841.55

14. State aggregate amount and classification of potential other real estate (PORE) carried in loans and discounts:

None

Examined Close of Business 10-15-62

TC—15

Number 15412

LOANS AND DISCOUNTS
LOANS SUBJECT TO CLASSIFICATION—OVERDUE LOANS

Substandard classification is defined as: Loans or portions thereof not classified as Doubtful or Loss and which involve more than a normal risk due to the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted in the examiner's comments. These loans should be given special and corrective attention; for example, by obtaining suitable reductions in amount, additional security, more complete financial data concerning the obligor's condition, or other such action as the specific circumstances may require. Doubtful and Loss classifications are self-explanatory. Loans classified Loss and 50% of loans classified Doubtful should be eliminated.

Recapitulation of overdue loans	Amount
Class A—Loans on which interest has been overdue for six months or more and is unpaid	160,601.12
Class B—All other overdue loans which have passed maturity or on which installments or interest payments have been overdue for one month and are unpaid	1,033,107.57
Total overdue loans	1,193,708.69

Percentage of Overdue Loans to Total Loans of $20,831,002.99 is 5.7 %. 39

Amounts shown are before deduction of valuation reserves, if any, except where reserves (totaling $ None) have been specifically allocated to individual loans.

This schedule includes all loans of every borrower, any portion of whose indebtedness to the bank is subject to a Substandard, Doubtful or Loss classification, with an explanation as to why the classification is accorded. The schedule also includes all overdue loans, either listed individually by name of borrower or grouped together in total, irrespective of whether subject to classification. Any loan or portion thereof secured by real estate the acquisition of which by the bank appears necessary and unavoidable, is designated as potential other real estate by the abbreviation, PORE.

Amount / Maker, endorsers, security, and comments / Due date of overdue loans	Overdue	Substandard	Doubtful	Loss
30,000.00 [redacted] Endorsed by [redacted], who is vice president of the company, but he does not file a financial statement to evidence net worth, [redacted] and [redacted]. Statement of the company, dated 11-30-61, shows: CA 104.8 CL 56.4 FA 2.5 Capital 56.8 OA .1 Surplus 5.8 $107.4M Included in the current assets are AR of $47.8M and merchandise at $50.1M, but the statement indicates accounts payable of $48M. The current loan was advanced on 9-12-62 for $40M, reportedly to pay the accounts payable. Operating statement for the year ending on 11-30-61, shows net profit of $6,479.46. The loan is to be liquidated from the receivables when collected; however, the statement reveals a heavy debt position for unsecured extensions of this size. The bank's position possibly would have been improved if a formal assignment of the receivables had been assigned to the bank. Close supervision is suggested.		30,000.00 Paid		
4,550.00 [redacted] 9-20-62 Endorsed by [redacted], president of the company, who does not support with a financial statement, and he is indebted to the bank on a sizable loan that appears to be protected and is not criticised. Statement of the company, dated 7-31-59, that is too old for value, shows debts of $5.1M over a net worth of $10.2M. Line needs attention and collateral that will protect or current credit information that will support.	B 4,550.00 Current	4,550.00		

TEXT IS POOR

Examined Close of Business 10-15-62 Number 15412

REPORT OF EXAMINATION-CONFIDENTIAL SECTION

NASHVILLE BANK AND TRUST COMPANY

NASHVILLE, DAVIDSON, TENNESSEE

Federal Deposit Insurance Corporation District 6 FDIC Sub-district 14 Federal Reserve District 6

Examination Commenced Two-fifteen O'Clock P. M. on Monday, October 15, 1962

Examination Completed Four O'Clock P. M. on Friday, November 2, 1962

Date of Last Examination by FDIC September 11, 1961 By State Authority February 13, 1961

Daily Opening Business Hour of Bank Nine Daily Closing Hour Two (Closed on Saturday)

Tellers With Separate Cash Eleven Men Necessary to Start Examination Seventeen

Examiners	Working hours in bank	Working hours outside bank	Examiners	Working hours in bank	Working hours outside bank
Refer to pages A-1 and A-2.					
			Total working hours		

CONCLUSIONS AND RECOMMENDATIONS

President Hackworth continues as the chief executive officer in charge of the bank's affairs. He appears to be very much interested in obtaining new business, and it seems that he is somewhat lenient in extending credit for this purpose. It also appears that some of the junior officers are lenient along these lines, and it is evident that they are likewise not servicing the loan portfolio.

President Hackworth was concerned about the large volume of delinquent paper and the fact that so many exceptions were noted with respect to missing written credit information. He assured the examiners that steps would be taken immediately to strengthen the criticised loans and to improve the credit files; also, he indicated that, probably, a smaller limit would be placed on the maximum advances the junior officers could make. All of the criticised loans are not attributed to the junior officers by no means, as some large extensions are included in the criticised schedule, and some sizable losses are apparent. Efforts were made particularly to the active senior officers and the executive committee, to point out means of reducing the volume of criticised loans, as well as the need for a more conservative lending program and better servicing and collection policies.

The volume of criticised loans has increased substantially since the last examination, and this is prevalent in each of the three categories; delinquent paper is rather high, and technical exceptions are numerous. This trend does not appear to be favorable, and it is believed to warrant a management rating of FAIR at this time.

The earnings ratio and retention of net profits for the last calender year have been satisfactory; however, the capital-assets ratio of 9.1 per cent represents a reduction of .3 per cent since the last examination, but average total assets for 1961 increased $4,693,000 over 1960.

Market values of municipal securities were obtained from Mid-South Securities Company, Nashville, Tennessee.

No exceptions were noted with respect to the suggested vacation program.

E. H. Stark
Examiner

By: G. E. Mounts
Supervising Examiner

I CERTIFY on honor that this supplemental report of examination has been carefully proof read and that all schedules have been proved and found correct.

W. E. Tanguay
Chief Clerk

CONCLUSIONS AND RECOMMENDATIONS

Contingent Liabilities and Potential Loss

Attention is called to "Nonconforming Assets Purchased" and "Other Possible Liabilities in Fiduciary Accounts" with respect to contingent liabilities of $852,600 and a potential loss of $373,700. This reflects an increase of approximately $235,200 and $137,600, respectively, since the last examination with the preponderance of the aggregate and the enhancement resting in two cemetery accounts as follows:

Tstee UA T846 - A number of features surrounding this trust have been subject to repeated criticisms for the past several years with the principal liability resting in those speculative investments which the trustee has permitted to be placed in the account by the [redacted] Little improvement has been effected in the interim, principally because of the heavy financial involvement of the particular concern, which in some instances appears to have grown worse. This is particularly true in the case of the [redacted]., and this $150,000 investment has been set over into the potential loss column and is accountable for the principal increase in the segregation.

Tstee UA T1492 - This account was specifically scheduled in the previous report of examination under "Personal Trust Accounts Subject to Special Comment," advising caution in its administration. At the time the management decided to require replacement of the listed holdings with orthodox trust investments; however, this decision was not carried out; in fact, other speculative investments were knowingly permitted. In addition, several seemingly unwarranted inconsistencies developed (a majority of which were corrected during the examination), and it is evident that the account has been lacking proper supervision, even though in certain investments, a considerable loss element appears to be involved. While it is conceded that the selection of the investments appears to be the sole responsibility of the [redacted] it would not seem logical to absolve subject institution, acting in the capacity of a trustee, of all liability. Negligence to curtail and improve this situation may well resolve the trustee as being held equally accountable in the same capacity as that of the [redacted] One of the responsibilities of the trustee is to make sound investments that will provide the greatest possible yield, yet the account has not received any income, according to the trust records, on any of the scheduled speculative investments since inception, and a possible liability from this view is worthy of consideration.

The [redacted] has an agency account in subject institution which, according to the last review on February 13, 1962, held a corpus of apparently acceptable securities aggregating $279,100 at its disposal, and there appears to be no sound reason why the trustee account should be loaded with speculative securities. Actually, it should provide a means of eliminating certain undesirable assets now held in above trust account T1492.

While not detracting from other constructive criticisms made in this report, which of a necessity are deserving of aggressive action, prompt and realistic attention with respect to the cemetery accounts T846 and T1492, in which substantial contingent liability and potential loss are regarded to exist, is of an urgency. Unless accorded strict supervision, there is a possiblity that an applicable valuation reserve will be recommended to offset all potential loss in the accounts. In this connection, the following are believed worthy of consideration:

1) That the board of directors familiarize itself with these two accounts, requiring periodic written reports from the executive officers and/or executive committee with respect to developments and insisting on credit data and other information necessary for a comprehensive analysis of the accounts;

2) That an opinion from a competent attorney be obtained with respect to account T1492 in order to reasonably determine the trustee's responsibility with relation thereto; and

Examined Close of Business 10-15-62 Number 15412

CONCLUSIONS AND RECOMMENDATIONS

Contingent Liabilities and Potential Loss (Continued)

3) That no additional speculative securities be permitted in the accounts; also, considering the advisability of having at least a portion of those speculative investments currently held in account T1492 being purchased by the [redacted] agency account referred to above.

Personal Trust Accounts Subject Special Comment

Fifty-one sizable trusts are scheduled as a result of concentrations of certain investments and/or types of investments. The situation has not changed materially since the previous examination---that of diversification---and at the next review of the scheduled trusts, it is suggested that serious consideration be accorded this factor.

Fifteen accounts, a majority of which remain in the same status as at the previous examination, are detailed on page 10 of the report, Subject institution is acting in the capacity of agent; however, no formal agreements are on file to support. It is urgently requested that they be obtained at an early date so that the responsibility of the agent can be determined.

Overdrafts and Advances

This asset segregation aggregates $139,700, reflecting an increase of $37,700 since the previous examination. The total is regarded as excessive, and while protection is reasonably assured in most instances from other sources, some have been held for a lengthy period, and the officers assigned to handle the account are neglecting this phase; $11,526.34 appears to be of a slow workout nature and is accorded a Substandard Classification. It is recommended that effective measures be instigated to hold this form of undesirable credit to a minimum.

William H. Johnstone
Examiner

By: G.E. Molinta
Supervising Examiner

I CERTIFY that this report of examination has been carefully proof read and that all schedules have been proved and found correct.

W. B. Jacquin
Chief Clerk

Examined Close of Business 10-15-62

Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
T. 846					

In the early part of the examination, a recent FS of the [redacted] was requested, and while promised, it was not obtained as of this writing. A statement, dated 6-30-61, of the concern shows:

C	28.1	AP	10.9
AR	44.0	NP	127.3
NR	3.7	REM	48.8
Loans and disc.	560.1	5% deb.	158.0
2nd mortgages	23.4	6% deb.	162.8
RE - for sale	116.7	Acc. expense	3.5
A	12.4	Total lia.	511.3
OA	7.7	Deferred income	22.7
			534.0
		Preferred stk.	130.0
		Common stk.	112.0
		Surplus	20.1
			262.1

$796.1M

On sales for the fiscal year ending on 6-30-61, aggregating $143.8M, a loss of $11.8M resulted and is unfavorable as compared to sales of $176.3M and a profit of $14.5M for the previous fiscal year. This corporation--a business enterprise of [redacted]--was organized in 1953 for the [redacted] sole purpose of promoting the purchase of [redacted] lots. From the surplus accumulated in the interim it is evident that the enterprise has not been reasonably productive, The operation also includes RE speculation, including some Florida realty.

The debentures are worthy of particular consideration. The indenture under which they were issued (in 1954 and 1955) provided that full security in the form of RE mortgages and/or [redacted] lot purchase contracts would be maintained at all times in the control of an individual trustee. From the monthly collections on the pledged notes, interest requirements and 1/120th of the principal were to be held by the individual trustee and applied toward the payment of the debentures. Had this procedure been carried out, a more substantial reduction would have been accomplished on the maximum volume of $193,333 which was reached on 1-7-55. From the records, however, it appears that the individual trustee resigned in mid-1955, and the procedure under the indenture was abandoned. Management has previously advised that the trusteeship is to be re-established, but no such evidence of this proposed action has been accomplished. It appears that subject institution was seriously derelict in its duties in permitting this condition to continue for such an unwarranted period of time without action to protect the interests of the [redacted] care fund. Under those circumstances, the debentures are regarded as being unsecured and considered a potential loss.

TCT—10

Examined Close of Business 10-15-62

Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
T 846	An attorney's opinion, dated 11-11-60, with reference to the above stock recites "Such investment by the [redacted] is also illegal and subject to severe criticism as self-dealing. Aside from this, it is a speculative investment which in the opinion of the writer clearly is not a prudent investment in trust funds------It is the opinion of the writer that the Nashville Bank and Trust Company should require the [redacted] to replace this investment with one which complies with the Prudent Man Rule."				
	Although the attorney takes the viewpoint that the debentures do not represent a clear violation, the above remarks, particularly those relating to self-dealing, would appear equally applicable to the debentures.				
	Aside from a $4,250 reduction in debenture bonds, investments in this corporation reflect no change. Management stated that in the latter part of 1961 an individual made [redacted] an offer to purchase the loans and discounts of the [redacted] refused for the stated reason that the proposed purchaser wanted a large discount on such assets, and this in itself is an indication of the quality of the loans, the principal asset item of the enterprise, and further substantiates the accorded contingent liability and potential loss to such assets.				
	[redacted]				
	1,500 shares common stock Acquired from 7-21-59 to 2-4-60.	150,000.00	150,000.00	150,000.00	150,000.00
	This is a [redacted] corporation and another [redacted] enterprise; organized for the speculative acquisition and development of land in that state. The funds were advanced by the trustee to the owner for his own self-serving interests, and its acceptance into the account appears to be contrary to the Prudent Man Rule. A statement of the concern, dated 5-31-62, shows:				

C	8.2	Est. costs to complete roadwork	54.6
Mtge. NR	143.6*	NP [redacted]	55.0
AR - [redacted]	19.9	Mtge. Notes Pay:	
AR - accrued	5.6	[redacted]	167.3
RE held for resale	463.8	[redacted]	21.5
Equipt.	.5	[redacted]	64.0
OA	1.0	Option Dep. on land	7.1
		Commissions Pay.	18.1
		Acc. interest	11.4
		Est. income tax	3.2
			402.2
		Unearned profit on install. sales	59.5
			461.7

(Continued)

Form 80 Revised 7-1-58 TCT—14

Examined Close of Business 10-15-62 Number 15412

OTHER POSSIBLE LIABILITIES IN FIDUCIARY ACCOUNTS

This schedule includes contingent liabilities and potential losses not detailed elsewhere in this report. The nature of these liabilities precludes their display in other specific schedules. The comments include, where pertinent, date of appointment, amount of original corpus, date of last accounting, investment powers, and other essential information.

Trust number	Fiduciary capacity, description, and comments	Inventory or cost value	Estimated value	Contingent liability	Potential loss
	Failure to Obtain Trust Corpus				
1846	Trustee UA	66,162.50	46,200.00	66,162.50	19,962.50

Attention is called to other contingent liabilities and potential loss assigned to this account under "Nonconforming Assets Purchased."

The trust is a [redacted] fund created under an agreement, dated 8-16-40. The instrument provides in part, "It is further agreed that as and when lots are sold by---, that it will deposit in such account with the Nashville Bank and Trust Company as a trust fund 25 per cent of the sale price when and as collected---, and the

fund [redacted] can only be withdrawn upon joint order of the Nashville Bank and Trust Company and the---."

The above cited provision embodied in the instrument is also a requirement under Section 46-110 of the Tennessee Code Annotated which stipulates that it shall be the duty of each [redacted] corporation chartered under the laws of the state and doing business in such state to set up and maintain a permanent improvement fund, equal in amount to 25 per cent of the total gross sum paid to such [redacted] corporation by the purchaser of lots in its [redacted]

The cemetery became delinquent in these deposits, and the trustee for a number of years apparently made no effort to obtain the corpus to which the trust is entitled. In October, 1956, correction of a portion of this deficiency was attempted by the [redacted] executing its unsecured note of $50M to hold in the trust account; reduced to $43M in the interim. This note was cancelled in December, 1960, and another note of the [redacted] was made and placed in this particular trust account, dated 12-23-60, in the original amount of $83,750 (presumably the amount of the deficiency existing in the account), bearing 5 per cent interest annually, and maturing on 5-1-69. The credit provides for monthly principal payments of $837.50, beginning on 2-1-61; current, with a present balance of $66,162.50 and secured by a first DT on property owned individually by [redacted], covering 30.771 acres of land in Davidson County, Tennessee, appraised $76,927.50.

Examined Close of Business 10-15-62 Number 15412

OTHER POSSIBLE LIABILITIES IN FIDUCIARY ACCOUNTS

This schedule includes contingent liabilities and potential losses not detailed elsewhere in this report. The nature of these liabilities precludes their display in other specific schedules. The comments include, where pertinent, date of appointment, amount of original corpus, date of last accounting, investment powers, and other essential information.

Trust number	Fiduciary capacity, description, and comments	Inventory or cost value	Estimated value	Contingent liability	Potential loss
	Failure to Obtain Trust Corpus (Continued)				
T846	Tstee UA (Continued)				
	Through the medium of this arrearage and the subsequently executed note, the trustee appears to have acquiesced in the conversion of the funds of the trust to the use of the [redacted] a condition obviously not intended by either the statute or the instrument creating the trust. This condition has now continued for a number of years; however, the situation has apparently been improved to the extent of the reduction in debt of which $10,887.50 has been effected since the last examination; however, due to the manner in which this matter has been handled, it precludes considering the entire note other than as a contingency. In order to establish some measure of margin, approximately 60 per cent of the appraised value of the pledged property is allowed with the remainder of the debt being shown as a potential loss.				
	An attorney's opinion on file states with reference to this subject, "It is the writer's opinion that Nashville Bank and Trust Company must insist that this indebtedness, a breach of legal obligation to create a trust fund and a continuing misuse of the funds which have not been paid to the trust fund, shall be paid promptly; and if this be not done, the Trustee acting as such and for the benefit of lot owners shall institute a suit therefor under Tennessee Code Annotated Section 46-112."				
	Litigation				
	[redacted] vs [redacted]			15,000.00	
	Action, instituted in 1957, is for $15M in damages in the form of expenses alleged to have been suffered as a result of the preceding litigation. The prior suit was related to an estate which was settled in 1954 and seems to have been necessary to establish the legality of an apparently defective will. The insitution's actions and position in the matter appear to have been soundly and reasonably conceived, and it is reported that an offer to settle for $5M has been refused. No potential loss is estimated. Further particulars and the current status of the action are provided by a letter from the institution's attorney shown on pages 6-a-1 and 6-a-2. Bank is not pressing for action, and litigation apparently will probably involve a lengthy period.				

Examined Close of Business 10-15-62 Number 15412

TRUST DEPARTMENT

REPORT OF EXAMINATION-CONFIDENTIAL SECTION

NASHVILLE BANK AND TRUST COMPANY

NASHVILLE, DAVIDSON, TENNESSEE

Federal Deposit Insurance Corporation District 6 FDIC Sub-district 14 Federal Reserve District 6

Examination Commenced Two O'Clock P. M. on Monday, October 15, 1962

Examination Completed Five O'Clock P. M. on Thursday, November 1, 1962

Date of Last Trust Department Examination by FDIC September 11, 1961 By State Authority February 13, 1961

Daily Opening Business Hour of Institution Nine Daily Closing Hour Two-closed on Saturday

Men Necessary to Start Trust Examination Eight to ten

Examiners	Hours inside trust department	Hours outside trust department	Examiners	Hours inside trust department	Hours outside trust department
Refer to page A-2.					
			Total working hours		

CONCLUSIONS AND RECOMMENDATIONS

1. The trust department management should be accorded a rating which must be adequately supported in the examiner's comments. Supporting comments may include, if applicable, reference to any of the following considerations: (a) present general condition of department; (b) outstanding problems, progress made in their solution, and examiner's opinion of ability of trust officials to solve these problems; (c) detrimental domination; (d) technical ability and experience of management, adequacy of records, and efficiency of internal operations; and (e) other pertinent factors.
2. The following should receive comment, if relevant and not covered in open section of report: (a) confidential information relative to pending litigation; (b) litigation settled and surcharges paid since last examination; (c) confidential data on existing contingent liabilities; and (d) other important matters.
3. The scope of the present examination should be indicated as well as unusual methods or systems employed by the institution.

This department, as in the past, depends largely on Trust Officer and Vice President Parker for administrative guidance with President Hackworth assisting in the role of an advisor. While Trust Officer Parker is regarded as having the qualifications to fill his assigned capacity, he continues to be remiss in improving certain functional procedures necessary for a prudent operation. He exerts little, if any, control over his junior officers, who appear to act independently of one another; thus; the delegation of specific responsibilities appears to be lacking. He fails to bring before the directors or committees certain important matters that merit more than normal attention; specific reference is made to two cemetery trusts commented on in the open section of the report. President Hackworth appears eager to operate this department in an acceptable manner, but his knowledge of trusts and the related responsibilities is limited, and as an advisor he is restricted.

The principal problem currently confronting this operation, other than the apparent lack of delegated responsibilities, is the negligence in the supervision of two cemetery trust accounts in which substantial contingent liability and potential loss appear to be involved. In discussing this and other factors with Trust Officer Parker and President Hackworth, it was pointed out that unless the two cemetery accounts were realistically reviewed and aggressive action taken by the directors to improve, it would seem only reasonable that a valuation reserve from the bank's undivided profits account be provided to take care of the accorded potential loss. This appeared to have some effect on these two officials since both agreed that those recommendations set out on page 1 would be adopted, with President Hackworth stating that although he would hate to lose these accounts, unless this could be accomplished, he was in favor of resigning as trustee. The management is surrounded by competent and aggressively functioning committees, and there is no reason why the situation referred to above cannot be materially improved. Otherwise, the Statement of Principles of Trust Department Managem[illegible] appears to be in conformance with minimum requirements. Until the desired improvement is brought about as previously and currently discussed, the management rating of FAIR is continued.

(Continued)

UNITED STATES DISTRICT COURT
INTERVENOR'S EXHIBIT No. 22

Deal 64

...VILLE, TENNESSEE
...VILLE BANK AND TRUST COMPANY

REPORT OF EXAMINATION

Regular

FDIC District 6

Certificate Number 15412

NASHVILLE BANK AND TRUST COMPANY

Nashville Davidson Tennessee

Examiner-in-Charge E. H. Short Examined Close of Business November 4, 1963

State Examiner-in-charge - F. E. Wyatt

Examination commenced 2:15 P.M., on November [illegible], 1963 Closed 4:30 P.M., on November 22, 1963

THIS REPORT OF EXAMINATION IS STRICTLY CONFIDENTIAL

This report of examination has been made by an examiner appointed by the Board of Directors of the Federal Deposit Insurance Corporation for use in the supervision of the bank. This copy of the report is the property of the Federal Deposit Insurance Corporation and is furnished to the bank examined for its confidential use. Under no circumstances shall the bank, or any of its directors, officers, or employees disclose or make public in any manner the report or any portion thereof.

The information contained in this report is based upon the books and records of the bank, upon statements made to the Examiner by directors, officers, and employees, and upon information obtained from other sources believed to be reliable and presumed by the Examiner to be correct.

It is recommended that each director, in keeping with his responsibilities both to depositors and to shareholders, thoroughly review the report. In making this review, it should be kept in mind that an examination is not the same as an audit, and this report should not be considered to be an audit report.

~~XXXXXXXXXXXX~~ Chairman
Board of Directors

FEDERAL DEPOSIT INSURANCE CORPORATION

CONCLUSIONS AND RECOMMENDATIONS

Loans and Discounts

Scheduled on page 7-a and continuations are classified and delinquent extensions listed for the reasons indicated. Classified loans are as follows: Substandard $982,688.67, Doubtful $396,790.50, and Loss $82,652.78; however, advances included in the Doubtful and Loss Classifications are fully covered by the valuation allowance which also reduces Substandard items to a net total of $456,837.93. The aggregate of these items represents a slight reduction from the amount reflected in the last report of examination; however, it is rather heavy and continues to indicate the need for closer screening of loan applications so that thinly margined and weakly protected extensions may be reduced to a more nominal figure. This statement is thought to be supported by the fact that the volume of Doubtful and Loss classifications continues to be rather large in addition to the amount of other criticised credits. It is also suggested that a more aggressive servicing and collection program be utilized which should prove to be very beneficial in improving the quality of the portfolio.

Overdue paper at $903,014.98 is again sizeable and represents 4.2 per cent of the loan volume. This condition suggests that maturities are not receiving the attention which they deserve; therefore, it is suggested that maturities be followed more closely so that the volume of overdue paper may be reduced substantially.

Improvement is noted in the credit files; however, several important extensions are scheduled on pages 7-b and 7-b-1 because of the absence of current credit information. This phase of the operation should continue to receive aggressive supervision whereby the exceptions may be reduced to a minimum.

Trust Department

Scheduled on page 10-a are contingent liabilities in this department totaling $822,262.14 that reflect potential losses of $514,025. Only a nominal reduction is reflected in the first total and the latter represents a sizeable increase since the last examination. Detailed information on trust activities is incorporated in a separate report; it should be scrutinized very closely, and the recommendations therein be given serious consideration with a view toward correction.

Securities

Stocks with a book value of $9,391.20 continue to be carried in the portfolio and are classified Substandard because of the speculative features. No favorable opportunity should be overlooked to improve the quality of these criticised assets.

Fidelity Coverage

The bank's present fidelity coverage is above the amount recommended for a bank of this size; however, reference to page 14 reveals that the bank's cash on hand has exceeded the blanket bond a total of 58 days since the last examination with a maximum of $229,509.20 being reached on February 28, 1963. In addition to the cash exposure, investments in the commercial department with a book value of $5,626,718.57, plus a large amount of investments in the trust department are also carried in the bank's own vault. It is suggested that serious consideration be given toward reducing the exposure if necessary, by obtaining additional fidelity coverage in an amount deemed advisable.

Other Real Estate

One parcel of other real estate with a book value of $[illegible]0,048 is still carried and book value is classified Substandard. Details are recorded on page 8-b. This asset was purchased in 1960 with an idea of it probably being used for expansion; however, this idea was abandoned a year or two ago. Section 5922 of the Tennessee Banking laws prohibits a bank holding assets of this nature for a period in excess of five years, therefore, if the property is to be held for a longer period it should be depreciated in annual instalments whereby the book value may be eliminated at the end of the five years.

CONCLUSIONS AND RECOMMENDATIONS

Other Real Estate (Continued)

No Loss Classification is accorded the item at this time, due to the fact that management is hopeful of selling the parcel within the near future; however, if the sale does not materialize within a reasonable length of time the book value should be depreciated as suggested above.

Emergency Preparedness Measures

The bank has not formulated a complete preparedness program as suggested in booklets and memoranda referred to in the report of last examination. It is again suggested that serious consideration be given to expanding the limited program now in effect so as to provide for reconstruction of essential records, alternate headquarters from which the bank could operate in the event of an emergency, and for continuity of management.

Disposition of Doubtful and Loss Classifications

A specific reserve is to be established immediately for the line of [redacted]. The other Loss Classifications are to be charged off prior to the end of the year, if not otherwise eliminated. No provisions were made for Doubtful Classifications.

E. H. Short
Examiner

By: G. E. Mount
Supervising Examiner

I CERTIFY that this report of examination has been carefully proof read and that all schedules have been proved and found correct.

W. E. Pasqual
Chief Clerk

Examined Close of Business 11-4-63 Number 15412

SUMMARY OF CLASSIFICATIONS

Substandard classification is defined as: Book assets or portions thereof not classified as Doubtful or Loss and which involve more than a normal risk due to the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted in the examiner's comments. These assets should be given special and corrective attention, for example, by obtaining suitable reductions in amount, additional security, more complete financial data concerning the obligor's condition, or other such action as the specific circumstances may require. Doubtful and Loss classifications are self-explanatory. Assets classified Loss and 50% of assets classified Doubtful should be eliminated.

Description	Gross Classifications (Before deduction of valuation reserves, if any)			Net Classifications (After deduction of valuation reserves)		
	Substandard	Doubtful	Loss	Substandard	Doubtful	Loss
Securities	9,391.20			9,391.20		
Loans and discounts	982,688.67	396,790.50	82,652.78	456,837.93		
Other real estate	40,048.00			40,048.00		
	1,032,127.87	396,790.50	82,652.78	506,277.13		

Note: The following statement shows valuation reserves, other than those for fixed assets, not reflected in the above computation.

None

CAPITAL ACCOUNT ANALYSIS

Capital Account	Rate	Date Issued	Maturity	Original amount	Retirable value	Par	Number of shares	Amount
Common - without double liability						100	16,333	1,633,300.00

Total capital stock, notes, and debentures		1,633,300.00
Surplus		1,700,000.00
Net undivided profits	1,023,536.63	
Reserves for contingencies	176,013.12	
Other segregations of capital account		1,199,549.75
Total book capital account		4,532,849.75
Determinable sound banking values of assets not shown on books (Page 10)		
Subtotal		4,532,849.75
Less: (a) Assets classified Loss (Net)		
(b) Differences in verified accounts and liabilities not shown on books	4,943.38	4,943.38
Capital account after deducting (a) and (b)		4,527,906.37
(c) Fifty percent of assets classified Doubtful (Net)		
Adjusted capital account after deducting (a), (b) and (c)		4,527,906.37

Adjusted capital account as percent of quarterly average of total assets for the past year ($ 46,930,200): 9.6 %.

The amounts shown in the following calculations are not reflected as deductions in the adjusted capital analysis. However, they should be taken into consideration, together with any need for reserves against the volume of classified assets shown in the SUMMARY OF CLASSIFICATIONS, before diverting any of the net profits of the bank to salary increases, bonuses, or payment of dividends.

Securities depreciation not reflected in above analysis $12[illegible],63[illegible]

Potential loss in Contingent Liabilities not classified Doubtful or Loss [illegible].025.00

Summary of Classifications
Capital Account Analysis

TEXT IS POOR

Examined Close of Business 11-4-63 Number 15412

LOANS AND DISCOUNTS

LOANS SUBJECT TO CLASSIFICATION—OVERDUE LOANS

Substandard classification is defined as: Loans or portions thereof not classified as Doubtful or Loss and which involve more than a normal risk due to the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted in the examiner's comments. These loans should be given special and corrective attention; for example, by obtaining suitable reductions in amount, additional security, more complete financial data concerning the obligor's condition, or other such action as the specific circumstances may require. Doubtful and Loss classifications are self-explanatory. Loans classified Loss and 50% of loans classified Doubtful should be eliminated.

Recapitulation of overdue loans	Amount
Class A—Loans on which interest has been overdue for six months or more and is unpaid	83,952.79
Class B—All other overdue loans which have passed maturity or on which installments or interest payments have been overdue for one month and are unpaid	819,062.19
Total overdue loans	903,014.98

Percentage of Overdue Loans to Total Loans of 21,261,337.54 is 4.2 %.

Amounts shown are before deduction of valuation reserves, if any, except where reserves (totaling $ None) have been specifically allocated to individual loans.

This schedule includes all loans of every borrower, any portion of whose indebtedness to the bank is subject to a Substandard, Doubtful or Loss classification, with an explanation as to why the classification is accorded. The schedule also includes all overdue loans, either listed individually by name of borrower or grouped together in total, irrespective of whether subject to classification. Any loan or portion thereof secured by real estate the acquisition of which by the bank appears necessary and unavoidable, is designated as potential other real estate by the abbreviation, PORE.

Amount	Maker, endorsers, security, and comments	Due date of overdue loans	Overdue	Substandard	Doubtful	Loss
~~30,000~~ 45,000.00	[redacted]			~~30,000~~ 45,000.00		

Endorsed by [redacted], none of whom file a financial statement but reported to have a combined net worth of approximately $110M. Statement of the company dated 11-30-62 shows:

Cash	12.7	AP	42.0
AR	45.1	NP	16.1
Mdse.	56.3	Accrual	5.0
Prepaid	3.2		63.1
	117.3	NP	.3
			63.4
OA	5.1	Capital	56.8
		Surplus	2.2
	$122.4M		

Operating statement for the year ending 11-30-62 shows net profits, after provisions for taxes, of $8.1M. The loan is reported to be a seasonal advance, however, the firm's debts are rather heavy for unsecured advances of this size and the individual statements have not been required even though a loan of $30M was classified at the last examination. In the absence of supporting credit information of the endorsers or collateral that would amply protect, line should receive aggressive supervision.

Amount	Maker, endorsers, security, and comments	Due date of overdue loans	Overdue	Substandard	Doubtful	Loss
4,403.63	[redacted]	2-1-63	A 4,403.63	N 4,403.63		

The loan originated in the name of John D. Pope and is secured by a deed of trust, dated 8-31-59, for $5,300, on a parcel of real estate located at 1,025 N Fourth Street, Nashville, Tennessee; however, a second lienholder has brought suit to foreclose his debt and it is thought the bank will work out without loss but litigation is necessary to collect the debt.

Amount	Maker, endorsers, security, and comments	Due date of overdue loans	Overdue	Substandard	Doubtful	Loss
43,888.23	[redacted]				N 40,000.00	N 3,888.23

(Continued)

Examined Close of Business 11-4-63

Number 15412

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LOANS AND DISCOUNTS

LOANS SUBJECT TO CLASSIFICATION—OVERDUE LOANS

Amount	Maker, endorsers, security, and comments / Due date of overdue loans	Overdue	Substandard	Doubtful	Loss
	[redacted] (Continued)				

required whereby the loan may be placed in condition to prevent criticism.

Amount	Maker, endorsers, security, and comments	Overdue	Substandard	Doubtful	Loss
7,700.00	[redacted]	Loan for new business reasons		7,700.00	

Unsecured. The line was carried at $2,000 in September, 1961, and was increased to $8,000 on 6-18-62. No credit information is in the files and neither is there any information as to debtor's probable net worth. It is conceded that the loan was made on the strength of obtaining all or a portion of the company's account; however, this has not materialized and the firm has refused to split or move its account. The loan has been reduced only $100 since the last examination when it was listed for credit information. Classification appears warranted and may be liberal.

Amount	Maker, endorsers, security, and comments	Overdue	Substandard	Doubtful	Loss
15,000.00	[redacted], INCORPORATED			15,000.00	

Unsecured. [redacted] is the principal owner of the company but he does not endorse or guarantee. Statement of the concern dated 7-31-63 shows:

Cash	4.0	NP (other)	18.6
AR	409.2	AP	34.6
NR	161.6*	NP (banks)	12.0
Accr. interest	19.5	NP ([redacted])	170.3
Due from perpetual funds	14.1		
Deposit	.1	Accr. wages and commissions	33.0
	608.5	Other accruals	13.1
			281.6
NR	63.0	NP	142.2
FA	258.3	1st mtge. bonds	90.0
OA	11.8	Accr. interest	15.3
			529.1
		Deferred income	349.5
			878.6
		Capital	18.0
		Surplus	45.0
	$941.6M		

*These items consist of notes receivable from three of [redacted] other interests.

Debts of the company are extremely heavy in relation to the net worth of the concern; also, the value of some of the assets included in the statement may be subject to question; refer to line of Union Acceptance Corporation. Unsecured extensions to the borrower are regarded as highly questionable.

Amount	Maker, endorsers, security, and comments	Overdue	Substandard	Doubtful	Loss
58,036.00	[redacted] President		40,000.00	18,036.00	

The line appears to have originated since the last examination with the funds probably being used

(Continued)

Examined Close of Business 11-4-63 Number 15412

LOANS AND DISCOUNTS

LOANS SUBJECT TO CLASSIFICATION—OVERDUE LOANS

Amount / Maker, endorsers, security, and comments / Due date of overdue loans	Overdue	Substandard	Doubtful	Loss
[redacted] (Continued)				
in the construction of a new building on ground previously owned by the [redacted], Incorporated, that was released from previous encumbrance. $40,000 of the line is collateraled by $50,000 of [redacted], Incorporated, RE bonds, dated 12-1-40, due 12-1-55, but extended to 12-1-65. The value of the bonds is problematical. $18,036 represents the balance of a loan in the amount of $18,910, dated 8-22-63, endorsed by [redacted] and also collateraled by an assignment of contracts of various individuals to purchase $40,000 of the [redacted] debenture bonds. There is no credit information from the [redacted] but it is thought the erection of the building was financed from the proceeds of these and other loans. The contracts pledged are being paid in small amounts and at best a long time will be required to liquidate that loan. The entire line is regarded as being a liberal extension of credit and especially since other extensions to borrowers in which [redacted] is the principal owner have been subject to criticism.				
Instalment Loans				
2,174.64 — 8-15-62 [redacted] Debt consists of two long overdue notes; refer to line in commercial department for classification.	A 2,174.64			
50,072.06 — Various Ninety-three instalment loans, less than six months overdue; not classified. The overdue total includes $14,407 past due instalment notes secured by RE.	B 50,072.06			
23,864.56 — Various Total of seventeen loans in the real estate department overdue more than six months, thought to be collectible, not otherwise subject to criticism, and not scheduled elsewhere in the loan schedule.	A 23,864.56			
318,799.07 — Various Total of sixty-seven loans, carried in the real estate department, not otherwise subject to criticism.	B 318,799.07			

Examined Close of Business 11-4-63 | Number 15412

INTERNAL ROUTINE AND CONTROLS

A negative answer below shows an unsatisfactory condition which should be corrected by the bank. Such answers may call for discussion under the caption "Comments" below and elsewhere in the examination report.

	Yes	No
DIRECTORS AND AUDIT RESPONSIBILITIES:		
25. Have the directors made provision for an Audit program by either (1) a full-time auditor or staff, (2) periodic employment of an independent auditor, or (3) designation of an audit supervisor and installation of a program of internal audit by the bank's own staff. If the answer is affirmative, indicate the method by numeral____	X	
26. If the answer to the above is affirmative, is the program adequate as to:		
(a) Scope?	X	
(b) Frequency or continuity?	X	
(c) Lack of previous notification to any officer or employee?	X	
(d) Performance by persons not auditing their own work?	X	
27. Does the auditor or audit supervisor report regularly and directly to the Board of Directors of the bank or a committee thereof?	X	
28. Is a written audit report or record of regular audit performance maintained by bank?		X

COMMENTS

(Continue on second page where necessary)

Form 56 Revised 6-1-57

Examined Close of Business 11-4-63

TC—

Number 15412

REPORT OF EXAMINATION-CONFIDENTIAL SECTION

NASHVILLE BANK AND TRUST COMPANY

NASHVILLE, DAVIDSON, TENNESSEE

Federal Deposit Insurance Corporation District 6 FDIC Sub-district 14 Federal Reserve District 6

Examination Commenced Two-fifteen O'Clock P. M. on Monday, November 4, 1963

Examination Completed Four-thirty O'Clock P. M. on Friday, November 22, 1963

Date of Last Examination by FDIC October 15, 1962 By State Authority October 15, 1962

Daily Opening Business Hour of Bank Nine Daily Closing Hour Two (Closed on Saturday)

Tellers With Separate Cash Sixteen Men Necessary to Start Examination Seventeen

Examiners	Working hours in bank	Working hours outside bank	Examiners	Working hours in bank	Working hours outside bank
Refer to pages A-1 and A-2					
			Total working hours		

CONCLUSIONS AND RECOMMENDATIONS

President Hackworth continues as the executive officer in charge of the bank's affairs. He is interested in obtaining new business, and appears to be somewhat lenient in extending credits for this purpose. Apparently, some of the junior officers also follow the same practice and it is evident that they are likewise not properly servicing the loan portfolio. Some improvement is noted in the credit files, and a slight reduction has been made in the total of criticised loans, however, the amount involved continues to be rather high. Reduction in previously criticised loans may be regarded as fairly satisfactory, however, the improvement has been largely offset by the addition of items previously unclassified, further advances, and newly extended credits.

Efforts were again made to point out the weaknesses in the criticised loans and the need for closer screening of applications along with firmer servicing and collection practices. Earnings of the institution continue to be satisfactory with a substantial portion of same being retained, and a capital-assets ratio of 9.6 per cent is reflected.

Sizable contingent liabilities and potential losses are reflected on page 10-a, resulting from trust operations and reference is made to that report for detailed information.

The large volume of criticised loans, delinquent paper and other criticism reflected in the commercial department, plus criticism in the trust department, are considered sufficient to warrant continuation of a management rating of FAIR.

Market values of municipal securities were obtained from Mid-South Securities Company, Nashville, Tennessee.

No exceptions were noted with respect to the suggested vacation program.

E. H. Short
Examiner

By: [illegible]
Supervising Examiner

CERTIFY on honor that this supplemental report of examination has been carefully proof read and that all schedules have been proved and found correct.

[illegible]
Chief Clerk

Examined Close of Business 11-4-63

Number 15412

LOCATION AND COMPETITION

Arrange competing banks in following groups: (a) located in same city or town, and (b) located in adjacent cities or towns. If bank is located in or near larger center, information may be briefed and consolidated. Designate uninsured banks with an asterisk. Source of information should be indicated below schedule.

Name of bank	Location	Population	Approximate deposits	Distance from subject bank
Five banks	Nashville, Tennessee	170,874	794,418M	Same city

Above information was obtained from the 1963 edition of Southern Bankers Directory.

1. Indicate population of city or town in which subject bank is located and of trade area served, and state source of information.

Population of Nashville, according to the above source, is 170,874; that of trade area is estimated by the management at 565,000.

2. Describe briefly principal business and agricultural activities of community and adjacent territory.

Nashville is the state capital and the trade center for Middle Tennessee. There are several large manufacturing plants located here along with the usual small plants. Four well-known colleges are located here.

3. If information is of pertinent value, comment upon any or all of following topics: (a) Are present banking facilities in community inadequate or excessive? (b) Is there any evidence of friction between various banks in same locale? (c) Are there any proposed consolidations or mergers of existing institutions or proposed conversions into branch banking? (d) Describe any business condition or general economic factor in territory served or any other unusual circumstance which has affected, or may affect, condition or future prospects of subject bank.

(a) Adequate
(b) There is no evidence of unusual friction between the banks; however, competition is keen.
(c) None
(d) None

MANAGEMENT AND CONTROL

1. Are directors regarded as men of independent judgment and familiar with bank's loans and investments and other operations, or do they depend upon certain directors or active officers to manage affairs of bank?

The directorate is composed of men of independent judgment, who are influential in the community. The executive committee is largely responsible for policy determination, with Chairman of Board Hill and President Hackworth exerting the most influence.

2. In opinion of examiner do loan and investment accounts reflect (a) excessive or ill-advised grants of credit to directors, officers, employees, their interests, or to bank's affiliates, (b) undue use of bank's credit for speculative carrying of or trading in securities, real estate, commodities, or (c) use of bank's funds for any other purpose inconsistent with maintenance of sound credit conditions?

(a) No
(b) No
(c) No

3. Do directors, officers, and employees appear to work in harmony?

Yes

4. Are number and compensation of officers and employees regarded as either inadequate or excessive?

Satisfactory

5. If directors are at present considering any change in management personnel, comment in detail.

None known.

6. If bank is in a weakened or extended condition, what aid may be expected from directors or other shareholders? Was this situation discussed with directors and officers?

Not so considered.

7. If bank is owned or controlled by certain individual or other interests, state particulars as to extent, character and effects of such control and amount of stock held by such interests. If bank is not controlled by individual or other interests, indicate unusually large stock holdings.

The H. G. Hill Company, Inc., owns $984,500 par value of common stock outstanding. This holding represents control, but no evidence of exploitation is noted. Last sale was on March 5, 1963, when 30 shares sold for $250 each.

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TC—

Examined Close of Business 11-4-63

Number 15412

DIRECTORS, OFFICERS, AND EMPLOYEES

List alphabetically all directors, officers, and principal employees and indicate titles. Comment upon each individual insofar as facts and familiarity of examination warrant. If opinions cannot be formed or reasonably substantiated, so state. In comments indicate (a) individuals who dominate policies of bank and extent, character, and effects of such domination, (b) capabilities of each individual with reference to his duties and responsibilities, past banking experience, amount of time devoted to bank, (c) reputation in community of each individual, approximate age, and other business affiliations or profession, (d) individuals who are members of principal committees of bank, (e) individuals with whom condition of bank was discussed at this examination, (f) individuals who apparently furnish most complete and accurate information and those who seem reticent or unwilling to inform examiner of facts, (g) individuals who are directors or officers of other banks, together with names of such banks, (h) individuals whose indebtedness to this bank or to others appears likely to impair or jeopardize their usefulness to this institution, (i) individuals who are known to have embezzled or otherwise criminally misused funds of any bank, business, or other organization or enterprise, or individual. Show at end of schedule aggregate number and salary of minor employees. If current financial statements of directors and officers are not available, state from what sources the estimated net worths were obtained. Salaries should include all bonuses and pensions paid by bank. Designate preferred capital holders with the letter "P."

Name and comments	Att.	Estimated net worth	Date of statement	Par value of capital owned	Salary
DIRECTORS					
Bevington, John L.	1	[redacted]	(1)	3,300.00	
Age about seventy-five. Retired former vice president of Cain Sloan and Company, one of Nashville's largest department stores. He has served as a director since 1933 and is a member of the examining committee. An influential and well-known individual in the community.					
Bouchard, John E., Jr.	4	[redacted]	(1)	1,600.00	
Approximately fifty-three years of age. President of J. E. Bouchard & Sons, Inc., a local heating and plumbing contracting concern. Elected to the directorate on 1-14-58, without previous banking experience, but is thought to take an active interest in the bank's affairs. His knowledge of the condition of the community coupled with his apparent personal success in business would seem to qualify him as one of the most beneficial directors. Member of the executive committee.					
Cheek, Newman	5	[redacted]	(1)	22,200.00	
Age about sixty-six. A large holder of real estate and various investments and a member of one of the city's prominent families. A member of the board since 1942. Takes an active interest in the affairs of the bank and is said to be a close personal friend of Chairman Hill. A member of the executive and examining committees.					
Cheek, Robert S.	4	[redacted]	(1)	21,300.00	
Approximately eighty-four years of age. Brother of Director Newman Cheek. Principal owner of Cumberland Motor Company, Inc., a Dodge agency in Nashville, and holds large amounts of private investments. A member of the board since 1933. A former director of the American Trust Company and the First American National Bank. He takes an active interest in the affairs of the bank and appears to exercise sound business judgment. Member of the executive committee.					
Godwin, R. Hugh	5	[redacted]	(1)	1,000.00	
Age about sixty-two. Executive vice president of Oman Construction Company, one of the largest construction firms in the south. Elected to the directorate on 7-29-60, with no previous banking experience; he takes an active interest in the affairs of the bank and is said to be a valuable director.					
Hackworth, Werter S. - President	5	[redacted]	(1)	251,000.00	26,837.00
Age about sixty-seven. Has served as a director since 1946; elected to his present position in January, 1956. A former president of the Nashville, Chattanooga and St. Louis Railroad Company. Except for serving on some important committees as a member of the board, his banking experience started when he assumed the position of president. He is an ex-officio member of the executive committee. He is interested in obtaining new business and promoting new enterprises where the bank may be benefited and it is thought that he may have been overpersuaded by some of the junior officers to extend some credits that appear to be weak. Also, it is believed that Mr. Hackworth and the other directors have probably been too liberal in permitting some of the junior (Continued)					

C

Examined Close of Business 11-4-63 Number 15412

DIRECTORS, OFFICERS, AND EMPLOYEES

Name and comments	Att.	Estimated net worth	Date of statement	Par value of capital owned	Salary
DIRECTORS (Continued)					
Hackworth, Werter S. (Continued)					
officers to make loans without prior approval of the senior officers or the finance committee. It is thought, however, that Mr. Hackworth has reasonably sound judgment and appreciates suggestions for improvement.					
Hall, T. Graham	1	[redacted]	(1)	3,500.00	
Approximately eighty years of age. Member of a local insurance firm, Hall and Benedict. A director here since 1933. Reported to be held in high esteem in the community and to take an interest in bank's operations; however, due to his advanced age and inactivity his value as a board member is not outstanding.					
Hannon, Frank J.	1	[redacted]	(1)	1,000.00	
Age about sixty-nine. Executive vice president of Murray Ohio Manufacturing Company. Elected to the board on 1-12-60, without previous banking experience. His active interest in the affairs of the bank appears to be lacking somewhat, and he is thought to have little voice in formulation of policies.					
Hill, H. G., Jr. - Chairman of Board	5	[redacted]	(1)	44,400.00	1,623.00
Age about sixty-four. He is head of H. G. Hill Company, Inc., a local retail grocery chain, which was founded by his late father, former Chairman of Board H. G. Hill. This company owns stock control of the bank. Has served as a director of the bank for several years and is ex-officio member of the executive committee. He has been in a position to dominate the affairs of the bank since the death of his father; however, he is apparently satisfied to allow operations to proceed in the old-fashioned way and more or less leaves management policies with the executive officers until some/progressive program is set forth; then he is very slow in deciding whether the change is desirable. He does not come around the bank until about noon each day and usually stays only a short time; however, he is thought to possess considerable ability when he chooses to exercise it.					
Jakes, J. W.	2	[redacted]	(1)	6,700.00	2,400.00
Approximately eighty years of age. He has been connected with the bank since 1940 and has been a member of the board since January, 1946. Retired on 1-1-61. Formerly operated a securities business and has a wide experience in the investment field.					
Oliver, Dr. Oren A.	4	[redacted]	(1)	7,200.00	
Age about seventy-two. A local prominent dentist who continues to maintain a large practice in spite of his advanced age. Elected to the board of directors on 1-14-58. Takes a fairly active interest in the bank and is considered a beneficial director.					
Threatt, L. P., Sr.	5	[redacted]	(1)	8,500.00	
Age about seventy-two. Vice president of H. G. Hill Company, Inc., with which he has been associated for a number of years. Has served as a director since 1939 and is a member of the executive and examining committees. Thought to be one of the more valuable directors.					

Examined Close of Business 11-4-63

Number 15412

DIRECTORS, OFFICERS, AND EMPLOYEES

Name and comments	Att.	Estimated net worth	Date of statement	Par value of capital owned	Salary
DIRECTORS (Continued)					
Wiggington, Madison S. ✓	3	[redacted]	(1)	1,000.00	
Age about sixty-one. Vice president of Genesco with which he has been associated for a number of years. Elected a director on 1-13-59, with no previous banking experience, and it appears that his interest in the bank's affairs is limited.					
OFFICERS, NOT DIRECTORS, AND EMPLOYEES					
Aldred, H. G. - Vice President ✓				800.00	10,275.00
Age about fifty-nine. Has been connected with the bank most of his adult life, and came up from the ranks. He assists Vice President Young as a loan officer and principally handles the instalment loan department.					
Brumfield, Stanley - Assistant Trust Officer ✓					6,180.00
Refer to the report of examination of the trust department for detailed information.					
Brush, E. Kenneth - Vice President ✓				1,900.00	12,438.00
Age about sixty-three. Manager of the real estate department. Considered satisfactory in this position but appears to have little knowledge of other bank operations. Has been connected with the bank most of his adult life.					
Buquo, Hubert C. - Vice President ✓				500.00	10,275.00
Age about fifty-eight. Has served the bank in various capacities since 1921. Worked his way up from the ranks, and was elected to his present position in 1956. He assists the other commercial loan officers and grants advances, and is also in charge of keeping personnel records and handles some trust department income tax work.					
Carney, H. K., Jr. - Comptroller ✓					7,537.00
Age about fifty-eight. Has served in various capacities with the bank since 1925, including teller and general bookkeeper. His present duties are varied in both the commercial and trust departments.					
Check, Herbert F. - Assistant Treasurer					5,520.00
About thirty years of age. Nephew of Directors Newman and Robert S. Check. Has been with the bank about three years, and was elected to present position in January, 1963. He selects and recommends investments to the trust committee.					
Duke, Elmer C. - Auditor					6,815.00
About sixty-nine years of age. A former employee of the Nashville, Chattanooga, and St. Louis Railroad Company. Employed by the bank on 10-8-57. He does some auditing work, and prepares bank's tax returns. His title is somewhat misleading.					

CONCLUSIONS AND RECOMMENDATIONS

Apparent Violations of Law and Regulations

Particulars of possible violations of Regulation 9 of the Comptroller of the Currency, as related to the common trust funds, are shown on page 7-a-2. In consideration of Section 584 of the Internal Revenue Code of 1954, these violations would seem to involve the possible taxability of the funds.

The management acknowledged the impropriety of the detailed situations, and agreed that the related procedures would have the attention necessary to avoid recurrence. An explanation of the conditions leading to the past situations, as well as covering the procedure which it is anticipated will assure future compliance, is covered in a letter shown on pages 7-a-3 and 7-a-4.

Contingent Liabilities and Potential Losses

Contingent liabilities at $822,000, as shown on page 2 of the report, reflect a slight reduction between examinations, but potential losses at $514,000 are substantially increased, with both totals continuing at unwarrantedly high levels.

Reference to the schedules, "Nonconforming Assets Purchased" and "Other Possible Liabilities in Fiduciary Accounts," will reveal that the contingent liabilities and potential losses are very heavily concentrated in three related cemetery perpetual care accounts, T 846, T 1492, and A 1003. With reference to Account Number T 1492, the management, with the support of an attorney's opinion, views the legal liability of the institution as questionable. This viewpoint, however, appears definitely at variance with that of the authority quoted on page 8-a-2. Moreover, situations of this type involve conditions which could well transcend the effect of legal liability. It is regarded as highly questionable that the institution would be willing to accept the effect of the ill publicity that would accompany the resistance of any reasonable claims by such a substantial group of beneficiaries, particularly a group that has undoubtedly been sold burial rights with the assurance that the Nashville Bank and Trust Company, as trustee, was protecting their interest in the [redacted] Fund. These accounts have been a matter of criticism over a period of several examinations, with successive promises and programs of correction. Although the management expresses strong concern over existing conditions, it must be recognized that the criticisms involved continue to expand, which result lends strong support to the conclusion that either the matters are taken lightly or are not susceptible to correction.

The management advises that the accounts, particularly with reference to Numbers T 1492 and A 1003, will be continued only under arrangements in which full investment authority and responsibility will rest with the institution and other conditions that will allow it a free hand in eliminating the objectionable holdings. It must be recognized, however, that the implementation of such a program will be beneficial only if the additional authority is effectively applied in accomplishing the desired results. Accordingly, in the absence of early establishment of the program and concrete evidence of its effectiveness in accomplishing its purpose, it is strongly urged that a liability reserve account of at least $200,000 be established with provision for semiannual increase of not less than $50,000 until such time as the institution's possible loss in these accounts is fully covered.

The remaining contingent liabilities and potential loss include three instances of acquisition of investments without the formal approval of those holding the power of control over such transactions, one piece of litigation, and one instance of unwarranted acquiescence to the wishes of those who are without control over transactions.

Personal Trust Accounts Subject to Special Comment

This schedule, includes [illegible] trusts which are detailed as a result of concentrations of certain investments and/or [illegible] investment, must be viewed in the light of the fact that it is confined largely to tho[illegible] than $200,000 in total principal -- similar conditions also exist in many of the smaller accounts. Trusts in which conditions of this nature (continued)

Close of Business 11-4-63 Number 15412

CONCLUSIONS AND RECOMMENDATIONS

Personal Trust Accounts Subject to Special Comment (continued)

exist are thought to require more diligence and supervision than the better diversified situations, and are scheduled for the thoughtful consideration of the management and committee.

Fourteen other trusts are listed which have been carried for unwarranted periods without review or analysis. It is obvious that these accounts merit increased attention.

Overdrafts and Advances

These holdings, aggregating some $113,000, are detailed in the appropriate schedule. Although none are classified, the aggregate is regarded as excessive and indicative of the need for increased supervision.

Audit Controls

The institution has a full-time auditor and the aggregate holdings of the department, on an actual value basis, will exceed its statement totals by a quite substantial amount. The scope of the auditor's activities with reference to the trust department, however, appears largely confined to supervision of the bank's income from trust activities. Such a condition is regarded as highly hazardous, and it is urged that the audit activity accorded the department be substantially broadened and intensified. In such process, it is regarded as essential that there be established a complete follow-up of all vault withdrawals to determine disposition, as well as all disbursements for the acquisition of investments.

W. Sidney West
Examiner

By: G. E. Minato
Supervising Examiner

I CERTIFY that this report of examination has been carefully proof read and that all schedules have been proved and found correct.

W. E. Wagner
Chief Clerk

Examined Close of Business 11-4-63

Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
T 846	Tstee UA (continued)				

[redacted] (continued)

sole owner ofthe [redacted] corporation, organized for the purpose, and being used for the purpose, of promoting the purchase of [redacted] lots. Such investment by the [redacted] Corporation is also illegal and subject to severe criticism as self-dealing. Aside from this, it is a speculative investment which in the opinion of the writer clearly is not a prudent investment of trust funds. ------It is the opinion of the writer that the Nashville Bank and Trust Company should require the [redacted] Corporation to replace this investment with one which complies with the Prudent Man Rule."

Although the attorney takes the viewpoint that the debentures do not represent a clear violation, the above remarks, particularly those relating to self-dealing, would appear equally applicable to the debentures. Moreover, this situation is further aggravated by the failure of the institution to require maintenance of the security arrangement.

Previous examinations have brought forth the information that this company would be sold or liquidated. The holdings of the trust, however, remain unchanged between examinations and there has been only nominal curtailment, confined to the debentures, in the past. The establishment of a program of orderly elimination is regarded as long overdue. The management, however, in consideration of other involvements in this and related accounts, is reluctant to require elimination at this time.

	Cost	Estimated value	Contingent liability	Potential loss
[redacted]	150M	150M	150M	150M
1,500 shares common stock Acquired from 7-21-59 to 2-4-60	150,000.00	150,000.00	150,000.00	

Represents 88 per cent of the outstanding stock with the remaining shares held in a related trust. Company is a Florida Corporation, organized for the speculative acquisition and development of land in that state. Statement as of 7-31-63 shows:

C	9.1	AR	3.5
REM pledged	111.1	AR commissions	33.0
REM unpledged	113.7	Acc. int. & RE tax	5.0
RE	378.0	REM	106.1
AR (affiliate)	14.2	NP bk.-secured	80.9
OA	3.7	NP - related int.	56.3
		OCL	18.6
		Est. cost - rds.	53.2
		TL	356.6
		Def. inc.	91.9
			448.5
		Com. stk.	170.0
		Surplus	11.3
	$629.8M		

(continued)

Examined Close of Business 11-4-63 Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
T. 1492	Tstee UA (continued) The foregoing circumstances would seem to provide adequate basis for legal liability. In this case however, there are conditions which could well transcend the effect of legal liability. It appears highly questionable that the institution would willingly accept the ill-publicity that would accompany the resistence of any reasonable claims by such a substantial group of beneficiaries; particularly a group which have undoubtedly been sold [redacted] rights with the assurance that the Nashville Bank and Trust Company, as trustee, was protecting their interests in the [redacted] fund.				
	[redacted]	✓240M 240,000.00	✓240M	✓240M 240,000.00	240,000.00
	Carrying value of a $340M note dated 6-20-61 due on or before six years with interest at 6 per cent payable annually. Collateraled by 5 of the company's 5 23/48 shares of stock outstanding. Interest is delinquent from 6-20-62 and the institution prefers to carry the note in that manner in order to keep as much funds as possible available to assist in working out the situation. This note developed out of an investment in stock of [redacted]. In the period from 6-9-60 to 1-31-61 the institution, as trustee in this account, invested $240M in all of the stock (48 shares) of [redacted], organized solely for the purpose for the speculative acquisition and development of RE. The funds represented by the stock purchase ($240M) were reportedly used as a down payment on the purchase of land in [redacted] said to have been at the $1,000M level with the property mortgaged for the difference. This land adjoins that of the [redacted] which has been previously discussed in this schedule. At the time of the acquisition of the [redacted], stock the bank was following the viewpoint that it had no responsibility in the investment of funds of the trust. Subsequently, however, when the highly speculative nature of the venture became apparent, the institution reappraised its position in the matter. At that time effort was made to dispose of the RE as a whole but no purchasers could be attracted at a level that would permit liquidation without loss. Faced with the necessity of disposing of the property in small plots it became evident that the interest of one experienced in the retailing of land in the area was needed. Such a party was attracted and the [redacted]., was formed for the disposal of the property. On 7-7-61 all of the stock of [redacted]., was sold to the [redacted], with the consideration in the transaction [illegible] entirely by the $340M note of the purchasing corporation (continued)				

Form FC Revised 7-1-59 · TCT-10

Examined Close of Business 11-4-63 Number 15412

NONCONFORMING INVESTMENTS PURCHASED

Trust number	Fiduciary capacity, date of purchase, number of shares or par or face value, description and comments.	Cost	Estimated value	Contingent liability	Potential loss
1492	Tstee UA (continued)				

[redacted] (continued)

collateraled by all of its then outstanding stock. [redacted]., has been subsequently liquidated. No individuals join on the obligation. Thus, the trust holds purely an equity in the RE speculation.

Statement of the company as of 5-31-63 reflects:

C	4.9	AP	10.9
REM - Pl.Sub.Inst.	23.7	Acc.Int.-Sub.Inst.	42.8
REM - Pl. Others	73.5	Acc.Int.-Others	17.7
REM - Unpledged	43.5	NP - bks.	66.3
AR	3.7	REM - Sub.Inst.	33.7
RE - PL.Sub.Inst.	51.2	REM - Others	*744.5
RE - PL.Others	1,163.1	NP - Sub.Inst.	370.0
RE - Unpledged	50.1	AP & NP - Related interest	58.3
FA	5.9		
AR - related int.	37.5	OL	20.0
OA	3.8	Est.Cost - rds.	74.5
		TL	1,438.7
		Def. Inc.	50.4
			1,489.1
		Common St.	.5
		Pd.in Sur.	23.0
		Sur.Deficit	51.7#
$1,460.9M			

*Includes $710.5M mortgage for purchase of the land which is due $108.8M annually.

#Indicates red figure.

Statement, reflecting a slight insolvency, reveals a very dreary picture. With approximately 20 per cent of the land sold an operating loss of $51.7M is indicated. Value of the RE has been written up approximately $100M to cover the paper profit due the trust over its investment of $240M. Not only are the funds of the trust at the mercy of other very heavy creditors but the cash flow situation has and will create severe problems. Land that is sold is released only in 10-acre contiguous tracts at $1M an acre. This, coupled with the necessity of annual payments of $108.8M on the mortgage and the installation of roads, has and it appears, will continue to force additional advances. $30M of the notes payable to subject institution, which have been subsequently increased to $45M, are from a related agency account (refer below) and represent such advances as do also the RE mortgages payable to subject institution. Management advises that it is not disposed toward further advances for the benefit of the company but, without such or another reservior of credit, its survival is regarded as highly questionable.

A highly speculative venture that reflects every indication of approaching its conclusion.

Form 60 Revised 7-1-39 TCT 24

Examined Close of Business 11-4-63 Number 15412

TRUST AR...MENT

REPORT OF EXAMINATION-CONFIDENTIAL SECTION

NASHVILLE BANK AND TRUST COMPANY

NASHVILLE, DAVIDSON, TENNESSEE

Federal Deposit Insurance Corporation District 6 FDIC Sub-district 14 Federal Reserve District 6

Examination Commenced Two O'Clock P. M. on Monday, November 4, 1963

Examination Completed Five-thirty O'Clock P. M. on Friday, November 22, 1963

Date of Last Trust Department Examination by FDIC October 15, 1962 By State Authority October 15, 1962

Daily Opening Business Hour of Institution Nine Daily Closing Hour Two - Closed on Saturday

Men Necessary to Start Trust Examination Eight to ten

Examiners	Hours inside trust department	Hours outside trust department	Examiners	Hours inside trust department	Hours outside trust department
Refer to page A-2.					
			Total working hours		

CONCLUSIONS AND RECOMMENDATIONS

1. The trust department management should be accorded a rating which must be adequately supported in the examiner's comments. Supporting comments may include, if applicable, reference to any of the following considerations: (a) present general condition of department; (b) outstanding problems, progress made in their solution, and examiner's opinion of ability of trust officials to solve these problems; (c) detrimental domination; (d) technical ability and experience of management, adequacy of records, and efficiency of internal operations; and (e) other pertinent factors.
2. The following should receive comment, if relevant and not covered in open section of report: (a) confidential information relative to pending litigation; (b) litigation settled and surcharges paid since last examination; (c) confidential data on existing contingent liabilities; and (d) other important matters.
3. The scope of the present examination should be indicated as well as unusual methods or systems employed by the institution.

Management

The various officials and committees are detailed on pages B and B-1, with the principal officers of the department being discussed there in detail. Reference is made to pages C and continuations in the report of examination of the commercial department for individual discussion of the committee members.

Management of the department is largely vested in Vice President and Trust Officer Parker, who is regarded as having a good technical background, and should be well fitted for his position. There is some participation on the part of President Hackworth, but, as a result of lack of training and very limited experience in this field, his contribution is thought to be quite small. These officials are supported in their administration of the department by three committees -- the Executive Committee, the Officers' (Research) Committee, and the Trust Investment Committee -- which are functioning actively and are largely composed of capable members. Under these circumstances it is rather difficult to point specifically to the underlying factors in the development of as well as the lack of improvement in the long-standing criticisms.

As indicated above, the active management and the committees are thought to represent the technical proficiency, as well as the business acumen necessary for satisfactory operation of the department. Past developments and existent conditions, however, fall far short of supporting such viewpoint. With this in mind and in light of the commitments obtained during the examination, management rating of FAIR is continued.

Condition of the Department

The changes in the criticised affairs between examinations are quite disappointing. Improvements that have been effected are confined to simple matters, such as obtaining approvals, etc. A portion of this lack of performance is possibly, at least partially, attributable to not following the recommendations at the previous examination. In accordance with the suggestions at that time, the bank obtained a legal opinion on account number T 1492 from a highly regarded (continued)

Examined Close of Business 11-4-63 Number 15412

Condition of the Department (continued)

local attorney. A copy of this opinion, which expressed the view that no liability was involved for the institution, has been forwarded and is in the files of the Corporation. As a result, however, of the views expressed in the opinion, the bank relaxed to some degree its efforts to effect corrections in this account. As will be observed from the open section, views opposed to those expressed in the attorney's opinion have been followed and, it is believed, reasonably supported in this report. After discussion of the situation with the committee, the management now appears sufficiently aroused to bring the problems involved in the [redacted] accounts to some sort of conclusion. President Hackworth expressed the intent of bringing accounts, with particular reference to accounts T 1492 and A 1003, to a conclusion if the institution could not obtain uncontrolled authority in the acquisition of investments, as well as in the elimination of the undesirable holdings. With reference to this, however, it must be recognized that he is inexperienced in fiduciary administration and it is not clear whether he realizes the potentialities involved, such as the necessity of accounting and settlement with a successor trustee which could well be accompanied by the requirement of removal of the objectionable holdings. With this condition in mind, the alternative was recommended in the open section of establishing a reserve to cover the potential losses.

Scope of the Examination

All trust accounts with a corpus of $200,000 (as reflected by the last analysis) were reviewed and analyzed, with some consideration for the smaller situations where the need was obvious.

Statement of Principles of Trust Management

There appears to be full and complete conformance with the "Minimum Requirements."

Fidelity Coverage

Fidelity coverage is carried in the following amounts: 200M, Form 24 (Primary), 625M, Form 2 (Excess), and 1,000M, Form 28 (Excess).

IN UNITED STATES DISTRICT COURT

INTERVENOR'S EXHIBIT No. 23

State of Tennessee
DEPARTMENT OF INSURANCE AND BANKING
Nashville

FRANK G. CLEMENT
Governor

ALBERT WILLIAMS
Commissioner

JOHN W. WASHINGTON
Deputy Commissioner

FLOYD M. MURPHY
Deputy Commissioner

April 11, 1966

Mr. Joseph J. O'Malley, Esquire
Office of the Comptroller
of the Currency
Washington, D. C.

Dear Mr. O'Malley:

On March 30, 1966, at your request, a compilation of loan balances of the industrial finance companies located in Davidson County, Tennessee, was conducted under the general supervision of my assistant Leo Campbell. The total of the balances of the loan offices examined by this office during the 1964-65 examination year was $35,471,731.35.

This compilation did not include the following loan companies, because they were not examined. However, a phone call to each of them revealed that their outstanding loans at the end of the year 1965 were as follows:

Ace Finance, Inc. 508 Deadrick Street Nashville, Tennessee	$ 13,769.00
American Credit Company 5329 Charlotte Nashville, Tennessee	119,771.00
Consumer Finance & Thrift of Nashville, Inc. 411 Union Street Nashville, Tennessee	1,165,138.10
Dixie Credit Corporation 64½ Arcade Nashville, Tennessee	97,802.10
G. C. C. Loan & Thrift Corp. 201 Third Avenue, North Nashville, Tennessee	41,539.02
Phelan Finance Corp. of Inglewood 930 Gallatin Road Nashville, Tennessee	75,599.67
Total	$1,513,618.89

The grand total for Davidson County loan companies was $36,985,350.24.

The total loan balance figure was obtained by tabulating the loan balances of each of the loan offices in Davidson County which appear upon the examination reports of each office. These examination reports are available for inspection at this office by attorneys of the Antitrust Division, Department of Justice.

Very truly yours, Richard D. Gleaves, Director of Loan Division, Dept. of Insurance & Banking.

In United States District Court

Intervenor's Exhibit No. 28

Table 22

Loans Classified by Bank Examiners
All Respondents
(112 banks)

	$ Millions			% of Total Loans		
	1962	1963	1964	1962	1963	1964
Substandard	$ 413	$ 432	$ 552	.98%	.93%	1.08%
Doubtful	27	38	46	.07	.08	.09
Loss	20	20	31	.05	.04	.06
Subtotal	460	490	629	1.10	1.05	1.23
Specially mentioned	593	627	563	1.42	1.35	1.10
Total	$1,053	$1,117	$1,192	2.52%	2.40%	2.33%

Table 23

Comparative Examination Experience

Loans Classified:	All Respondents	Size 1 Smaller	Size 2 Medium	Size 3 Larger
Substandard, Doubtful and Loss as a % of Total Loans 12/31				
1962	1.10%	.97%	.95%	1.29%
1963	1.05	.79	1.16	1.05
1964	1.23	.97	1.18	1.38

	Group 1 Northeast	Group 2 Southeast	Group 3 Mid-West	Group 4 F. R. Dist. 9, 10, & 11	Group 5 West Coast
1962	1.58%	.63%	.56%	1.38%	.93%
1963	1.28	.74	.52	1.32	1.49
1964	1.62	.70	.42	1.42	1.98

Smaller Banks —Size 1: Deposits under 500MM
Medium Banks—Size 2: Deposits 500MM—2,000MM
Larger Banks —Size 3: Deposits over 2,000MM

Source: Report of the Committee on Bank Credit Policies to the Association of Reserve City Bankers at Boca Raton, Florida, April 6, 1965.

In United States District Court

Intervenor's Exhibit No. 31

Deposits, Loans, and Total Resources of Third National Bank in Nashville Compared with all Banks in Tennessee as of December 31, 1965

Deposits		
All banks	4,602,181	
Third National Bank	396,999	
Percentage		8.62%
Loans		
All banks	2,599,760	
Third National Bank	252,655	
Percentage		9.72%
Total Resources		
All banks	5,107,294	
Third National Bank	450,097	
Percentage		8.81%

Source: Rand McNally Bank Directory (advance printers proofs).

Compiled by: Carson Carlisle.

IN UNITED STATES DISTRICT COURT

INTERVENOR'S EXHIBIT No. 37

Deposits, Loans, and Loan-Deposit Ratios of Six Nashville Banks from Applicable Year-end Call Reports Published in Nashville Newspapers for Years 1955 Through 1965

(amounts in thousands)

	Deposits	Loans	% Loan-Deposit
Third National Bank			
12/31/55	176,137	86,405	49.1
12/31/56	185,039	94,978	51.3
12/31/57	194,390	99,351	51.1
12/31/58	211,545	102,252	48.3
12/31/59	220,360	119,397	54.2
12/31/60	229,095	130,567	57.0
12/31/61	259,359	132,249	51.0
12/28/62	278,153	155,542	55.9
12/20/63	304,100	175,219	57.6
12/31/64	375,591	224,321	59.7
12/31/65	396,999	252,655	63.6
First American National Bank			
12/31/55	223,890	97,211	43.4
12/31/56	239,348	105,331	44.0
12/31/57	246,763	111,782	45.2
12/31/58	268,634	107,305	39.9
12/31/59	274,858	128,722	46.8
12/31/60	279,501	132,193	47.3
12/31/61	308,934	138,750	44.9
12/28/62	314,243	161,300	51.3
12/20/63	357,513	172,081	48.1
12/31/64	408,402	206,213	50.5
12/31/65	420,527	248,999	59.2
Commerce Union Bank			
12/31/55	112,716	58,057	51.5
12/31/56	118,198	57,892	49.0
12/31/57	124,273	61,989	49.9
12/31/58	135,395	68,593	50.7
12/31/59	142,210	76,533	53.8
12/31/60	139,126	73,332	52.7
12/31/61	148,822	66,601	44.8
12/31/62 *	177,756	90,958	51.1
12/31/63	185,871	105,098	56.5
12/31/64	209,953	121,283	57.8
12/31/65	229,882	143,724	62.5
Nashville Bank and Trust Company			
12/31/55	21,475	8,580	40.0
12/31/56	27,731	11,707	42.2
12/31/57	28,947	13,384	46.2
12/31/58	33,264	15,462	46.5
12/31/59	37,210	16,978	45.6
12/31/60	39,380	18,256	46.4
12/31/61	44,283	19,078	43.0
12/28/62	41,889	19,181	45.8
12/20/63 **	42,085	21,424	50.9

	Deposits	Loans	% Loan-Deposit
Capital City Bank			
12/31/60	3,661	2,593	70.9
12/31/61	4,258	2,421	56.8
12/28/62	4,990	2,827	56.7
12/20/63	5,763	3,139	54.5
12/31/64	7,091	4,563	64.4
12/31/65	7,932	4,732	59.7
Broadway National Bank			
12/31/55	17,041	8,998	52.8
12/31/56	18,210	8,878	48.8
12/31/57	18,082	9,216	51.0
12/31/58	18,791	9,033	48.0
12/31/59	20,878	9,924	47.5
12/31/60	19,063	9,931	52.0
12/31/61	21,188	10,198	48.1
12/31/62 Merge with Commerce Union			

* Merge with Broadway National Bank
* * Merge with Third National Bank

Compiled by: Arch Cockrill

Supervised by: Charles W. Cook, Jr.

In United States District Court

Intervenor's Exhibit No. 42

Resources, Deposits, and Loans for Certain Banks as of December 31, 1963, 1964, and 1965
(in thousands of dollars)

	Resources			Deposits			Loans		
	1963	1964	1965	1963	1964	1965	1963	1964	1965
Third National Bank, Nashville	339,507	424,345	447,827	304,099	375,591	396,999	175,219	224,321	252,656
First American National Bank, Nashville	392,925	445,888	461,969	357,513	408,402	420,528	172,081	206,213	249,000
Commerce Union Bank, Nashville	209,505	233,548	257,096	185,871	209,953	229,883	105,098	121,283	143,725
Nashville Bank and Trust Company, Nashville	48,439	—	—	42,024	—	—	22,377	—	—
Capital City Bank, Nashville	7,489	8,968	9,914	5,763	7,091	7,938	3,139	4,563	4,732
Citizens Savings Bank and Trust Company, Nashville	3,379	3,592	3,654	2,988	3,200	3,303	1,747	1,825	1,779
Sub-total	1,001,244	1,116,341	1,180,460	898,258	1,004,237	1,058,651	479,661	558,205	651,892
Whites Creek Bank & Trust Co., Whites Creek, Tenn.	2,646	2,952	3,274	2,414	2,751	3,046	1,260	1,685	1,968
Bank of Goodlettsville, Goodlettsville, Tenn.	6,280	7,146	8,280	5,884	6,732	7,814	3,978	4,610	5,653
Total County	1,010,170	1,126,439	1,192,014	906,556	1,013,720	1,069,511	484,899	564,500	659,513
Ashland City Bank and Trust Co., Ashland City, Tenn.	4,395	4,484	4,758	4,092	4,143	4,402	1,515	1,691	1,642
Farmers and Merchants Bank, Bethpage, Tenn.	607	735	827	532	652	736	199	244	288
Bank of College Grove, College Grove, Tenn.	1,582	1,859	2,086	1,398	1,661	1,909	731	877	962
Bank of Dickson, Dickson, Tenn.	4,005	4,611	4,611	3,616	4,221	4,221	1,246	1,612	1,612
First National Bank, Dickson, Tenn.	7,444	7,775	8,636	6,719	7,013	7,903	1,623	1,671	2,031
Bank of Eagleville, Eagleville, Tenn.	1,179	1,282	1,302	861	1,049	1,056	503	488	574
The Harpeth National Bank, Franklin, Tenn.	12,791	14,607	16,155	11,678	13,367	14,789	6,480	7,679	9,066
Williamson County Bank, Franklin, Tenn.	11,256	13,110	14,507	10,215	11,949	13,144	5,763	6,967	7,779
First and Peoples National Bank, Gallatin, Tenn.	8,531	9,146	10,474	7,999	8,583	9,865	2,912	3,050	3,015
Sumner County Bank and Trust Co., Gallatin, Tenn.	4,895	5,111	5,494	4,601	4,795	5,144	1,144	1,192	1,232
Bank of Hendersonville, Hendersonville, Tenn.	2,860	3,356	3,849	2,666	3,123	3,513	1,151	1,622	2,283
Bank of Kingston Springs, Kingston Springs, Tenn.	859	856	933	777	777	845	496	471	523
Lebanon Bank, Lebanon, Tenn.	12,519	13,557	16,930	11,363	12,393	15,650	8,077	8,797	9,725
Bank of Mount Juliet, Mount Juliet, Tenn.	1,683	1,892	2,976	1,505	1,688	2,678	893	996	1,168
Murfreesboro Bank & Trust Co., Murfreesboro, Tenn.	26,433	29,517	31,011	24,546	27,365	28,599	11,660	14,126	16,987
National Bank of Murfreesboro, Murfreesboro, Tenn.	4,097	5,076	5,683	3,738	4,732	5,207	2,062	2,351	2,869
Peoples Bank, Norene, Tenn.	527	534	575	489	494	534	242	247	283
Bank of Orlinda, Orlinda, Tenn.	681	730	782	596	639	683	264	281	296
Farmers Bank, Portland, Tenn.	5,912	6,562	6,431	5,526	6,050	5,963	3,187	3,616	3,824
The First National Bank, Smyrna, Tenn.	2,102	2,287	2,506	1,917	2,086	2,275	552	630	773
First National Bank, Springfield, Tenn.	8,635	9,486	9,925	7,921	8,673	9,055	4,176	4,941	5,828
First Trust Company, Springfield, Tenn.	541	438	612	528	—	598	207	179	214
Stayton Bank and Trust Co., Stayton, Tenn.	414	424	400	338	345	319	259	254	247
Peoples Bank, Van Leer, Tenn.	2,530	2,774	3,256	2,359	2,582	3,065	1,501	1,608	1,873
The Farmers & Merchants Bank, Westmoreland, Tenn.	1,816	2,539	3,004	1,621	2,183	2,626	757	963	1,135
Farmers & Merchants Bank, White Bluff, Tenn.	1,156	1,720	1,488	1,021	1,592	1,353	770	896	864
Total	1,139,620	1,270,907	1,351,225	1,025,178	1,145,875	1,215,643	543,269	631,949	736,606
Third National Bank's percent of totals	29.79	33.39	33.14	29.66	32.78	32.66	32.25	35.50	34.30
Third National and Nashville Bank & Trust Company combines percent of totals	34.04			33.76			36.37		

Source: Published Call Statements and Rand McNally Bank Directory (including Advance Printers Proofs) for 1964 and 1965; Application to merge for 1963.

Compiled by: Arch Cockrill

Supervised by: Carson Carlisle

In United States District Court

Intervenor's Exhibit No. 43

Percentage Increase of Resources, Deposits, and Loans for All Banks in Davidson County for the Years Ending Dec. 1964 and 1965

	Resources		Deposits		Loans	
	% Increase 1963–1964	% Increase 1964–1965	% Increase 1963–1964	% Increase 1964–1965	% Increase 1963–1964	% Increase 1964–1965
Third National Bank, Nashville*	9.70	5.53	8.49	5.70	14.08	12.63
First American National Bank, Nashville	13.48	3.61	14.23	2.97	19.83	20.75
Commerce Union Bank, Nashville	11.48	10.08	12.96	9.49	15.40	18.50
Capital City Bank, Nashville	19.75	10.55	23.04	11.94	37.48	3.70
Citizens Savings Bank and Trust Company, Nashville	8.39	6.93	9.15	9.35	4.89	.22
Sub-total	11.63	5.76	11.80	5.44	16.99	16.79
Whites Creek Bank and Trust Company, Whites Creek	15.49	10.87	15.69	10.72	37.25	16.92
Bank of Goodlettsville, Goodlettsville	15.37	15.85	17.59	16.07	16.83	22.62
Total	11.65	5.84	11.84	5.52	16.62	16.84

* Includes Nashville Bank and Trust Company at end of 1963.

Source: Published Call Reports

Compiled by: Arch Cockrill

Supervised by: Carson Carlisle

In United States District Court

Intervenor's Exhibit No. 44

Davidson County Banks' Resources, Deposits, and Loans Expressed as a Percentage of the Total Bank Resources, Deposits, and Loans in the County for the Years Ending December 1963, 1964, and 1965

	Resources 1963 % of Total	Resources 1964 % of Total	Resources 1965 % of Total	Deposits 1963 % of Total	Deposits 1964 % of Total	Deposits 1965 % of Total	Loans 1963 % of Total	Loans 1964 % of Total	Loans 1965 % of Total
Third National Bank, Nashville	33.65	37.67	37.56	33.55	37.05	37.11	36.20	39.74	38.31
First American National Bank, Nashville	38.95	39.58	38.75	39.44	40.29	39.31	35.55	36.53	37.75
Commerce Union Bank, Nashville	20.77	20.73	21.56	20.51	20.71	21.50	21.71	21.49	21.79
Nashville Bank and Trust Co., Nashville	4.69	—	—	4.64	—	—	4.43	—	—
Capital City Bank, Nashville	.74	.80	.83	.64	.70	.74	.69	.80	.72
Citizens Savings Bank & Trust Co., Nashville	.33	.32	.33	.32	.32	.33	.36	.32	.28
Sub-Total	99.13	99.10	99.03	99.10	99.07	98.99	98.94	98.88	98.85
Whites Creek Bank & Trust Co., Whites Creek, Tenn.	.25	.26	.28	.26	.27	.28	.25	.30	.30
Bank of Goodlettsville, Goodlettsville, Tenn.	.62	.64	.69	.64	.66	.73	.81	.82	.85
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Published Call Reports

Compiled by: Arch Cockrill

Supervised by: Carson Carlisle

In United States District Court

Intervenor's Exhibit No. 55

Classified Commercial Loans of National Banks in Tennessee, by Size of Bank, as of Examination Closest to August 1964

Size of Bank (millions of dollars)	Commercial Loans (thousands of dollars)	Classified Commercial Loans (thousands of dollars)	Classified Commercial as percent of total commercial loans	Number of Banks
under 10	60,518	975	1.61	42
10 to 50	120,729	2,459	2.04	23
over 50	1,116,170	15,109	1.35	10
All	1,297,417	18,543	1.43	75

Sources: IBM printouts of Classified Loans data for 69 banks plus Examination Reports for the remaining six banks. Data for these six banks are for *All* Loans and *All* Classified Loans.

Computed by: Paul F. Preston.

In United States District Court

Intervenor's Exhibit No. 56

Classified Commercial Loans of National Banks in Tennessee, by Size of Bank, as of Examination Closest to August 1964

Size of Bank (millions of dollars)	Commercial Loans (thousands of dollars)	Classified Commercial Loans (thousands of dollars)	Classified Commercial as percent of total commercial loans	Number of Banks
under 10	57,564	975	1.69	41
10 to 50	96,865	1,944	2.01	20
over 50	937,261	14,987	1.60	8
All banks	1,091,690	17,906	1.64	69

Source: IBM printouts of Classified Loans data. Data for six banks were not available.

Computed by: Paul F. Preston

In United States District Court

Intervenor's Exhibit No. 57

Total Classified Loans of the Six National Banks in Tennessee For Which Commercial Classified Loan Data Were Not Available

Size of Bank (millions of dollars)	Gross Loans (thousands of dollars)	Classified Loans (thousands of dollars)	Classified Loans as Percent of Gross Loans
under 10	2,954	0	0
10 to 50	23,864	515	2.16
over 50	178,909	122	0.07
All	205,727	637	0.31

Source: Examination Reports nearest to August 1964.

Computed by: Paul F. Preston

IN UNITED STATES DISTRICT COURT.

INTERVENOR'S EXHIBIT No. 59

Analysis of Loans of Third National Bank

Date	Total Loans	Classified Loans	% of Total	Substandard	% of Total	Doubtful	% of Total	Loss	% of Total
8/15/60	135,247,101	2,836,117	2.1%	2,751,722	2.03%	43,958	.03%	40,437	.03%
4/ 2/61	132,222,181	6,318,652	4.8%	5,957,512	4.51%	323,700	.24%	37,440	.03%
3/12/62	141,964,722	2,547,657	1.8%	2,204,054	1.55%	110,000	.08%	233,603	.16%
2/ 4/63	163,432,604	2,441,035	1.5%	2,111,407	1.29%	149,792	.09%	179,836	.07%
11/26/63	183,917,146	1,300,554	.7%	1,092,985	.59%	95,202	.05%	112,366	.06%
6/15/64	201,098,962	1,117,732	.6%	1,019,718	.51%	—	—	98,013	.05%
3/ 1/65	228,315,437	3,123,140	1.4%	2,841,682	1.24%	98,053	.04%	183,405	.08%

Bad Debt and Valuation Reserves

Date	Amount	% of Total Classified to Reserve
8/15/60	4,903,558	57.8%
4/ 2/61	5,815,017	108.7%
3/12/62	6,119,953	41.6%
2/ 4/63	7,075,504	34.5%
11/26/63	7,573,405	17.2%
6/15/64	7,857,785	14.2%
3/ 1/65	9,815,177	31.8%

In United States District Court

Intervenor's Exhibit No. 60

Nashville Bank and Trust Company
Analysis of Loans

Date	Total Loans	Classified Loans	% of Total	Substandard	% of Total	Doubtful	% of Total	Loss	% of Total
5/15/60	16,984,100	610,964	3.6%	540,595	3.18%	56,750	.33%	13,619	.08%
9/11/61	19,692,092	727,258	3.7%	608,469	3.08%	39,350	.19%	79,439	.40%
10/15/62	20,831,003	1,519,566	7.3%	878,116	4.21%	466,979	2.24%	174,471	.83%
11/ 4/63	21,261,338	1,462,133	6.9%	982,689	4.62%	396,791	1.86%	82,653	.38%

Bad Debt and Other Valuation Reserves

Date	Amount	% of Total Classified to Reserve
5/15/60	902,067	67.7%
9/11/61	965,418	75.3%
10/15/62	1,020,248	148.9%
11/ 4/63	1,005,294	145.4%

Prepared by Carson Carlisle

Source: Bank Examination Reports

In United States District Court

Intervenor's Exhibit No. 61

Nashville Bank & Trust Company
Nashville, Tennessee

Third National Bank
Nashville, Tennessee

Amount of Classified Loans

Nashville Bank & Trust Company		Third National Bank	
5/15/60	615,964.73	8/15/60	2,836,117
9/11/61	727,257.96	4/ 2/61	6,318,652
10/15/62	1,519,366.09	3/12/62	2,547,657
—		2/ 4/63	2,441,035
11/ 4/63	1,462,131.95	11/26/63	1,300,553.63
		6/15/64	1,117,731.62
		3/ 1/65	3,123,140.12*

Percentage of Classified Loans to Total Loans

Nashville Bank & Trust Company		Third National Bank	
5/15/60	3.6%	8/15/60	2.1%
9/11/61	3.7%	4/ 2/61	4.8%
10/15/62	7.3%	3/12/62	1.8%
—		2/ 4/63	1.5%
11/ 4/63	6.9%	11/26/63	.7%
		6/15/64	.6%
		3/ 1/65	1.4%*

Percentage of Classified Loans to Valuation and Other Reserves

Nashville Bank & Trust Company		Third National Bank	
5/15/60	67.7%	8/15/60	57.8%
9/11/61	75.3%	4/ 2/61	108.7%
10/15/62	148.9%	3/12/62	41.6%
—		2/ 4/63	34.5%
11/ 4/63	145.4%	11/26/63	17.2%
		6/15/64	14.2%
		3/ 1/65	31.8%*

* First examination after merger

Prepared by Carson Carlisle

Source: Bank Examination Reports

In United States District Court

Intervenor's Exhibit No. 62

Nashville Bank & Trust Company
Nashville, Tennessee

Third National Bank
Nashville, Tennessee

Percentage of Classified Assets to Total Capital Funds

Nashville Bank & Trust Company		Third National Bank	
5/15/60	14.8%	8/15/60	13.7%
9/11/61	16.1%	4/ 2/61	28.2%
10/15/62	30.3%	3/12/62	10.7%
—		2/ 4/63	9.1%
11/ 4/63	27.3%	11/26/63	4.5%
		6/15/64	3.7%
		3/ 1/65	8%*

Bad Debt Reserve and Securities valuation reserve (unallocated) included in capital funds.

Percentage of Overdue Paper to Total Loans

Nashville Bank & Trust Company		Third National Bank	
5/15/60	4.4%	8/15/60	3.4%
9/11/61	3.9%	4/ 2/61	3.7%
10/15/62	5.7%	3/12/62	3.1%
—		2/ 4/63	3.6%
11/ 4/63	4.2%	11/26/63	2.8%
		6/15/64	2.2%
		3/ 1/65	3.3%*

*** First Examination after merger**

Prepared by Carson Carlisle

Source: Bank Examination Reports

U. S. GOVERNMENT PRINTING OFFICE: 1967—274-445/175